AS PREMIA FOODS

2011 Consolidated Annual Report
(translation from the Estonian original)

in thousands of euros

Business name:	**AS PREMIA FOODS**
Reg. code	11560713
Location:	Betooni 4, Tallinn, 11415
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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 2011 – 31 December 2011
Auditor:	AS PricewaterhouseCoopers

Sisukord

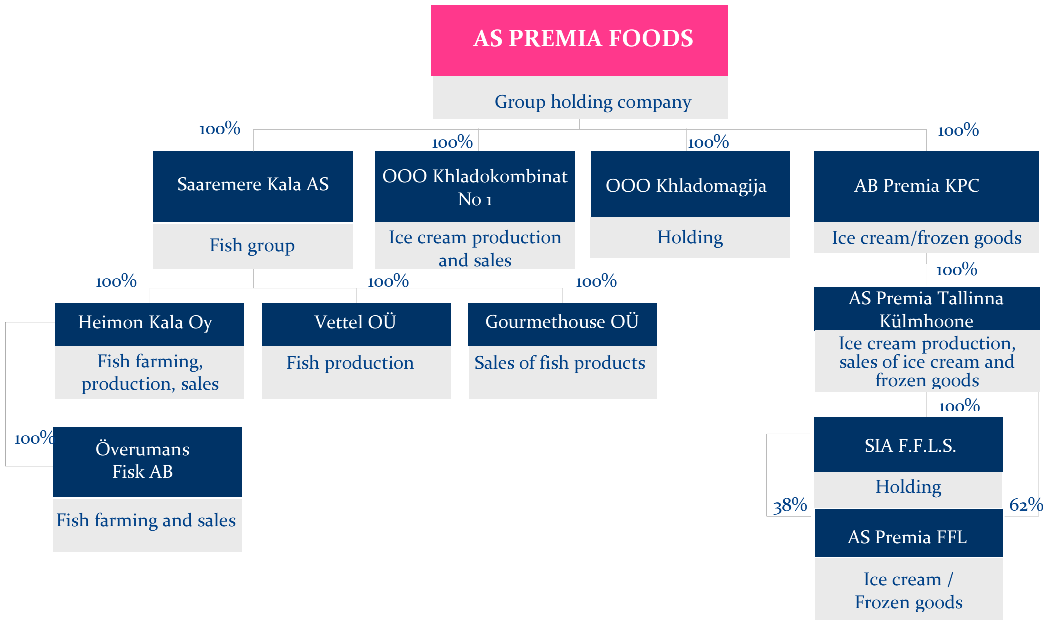
Statement of the Management and Supervisory Boards 72

INTRODUCTION TO THE COMPANY

AS Premia Foods is a food production company, which operates in six countries and five target 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 in the 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.



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

Structure of the Premia Foods group

in thousands of euros

INFORMATION TO SHAREHOLDERS

Financial calendar for 2012

All the reports of Premia Foods are published in Estonian and in English on the company's webpage 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 2012, the financial results of Premia Foods will be published as follows:

Audited annual report for 2011	15th week
Turnover for the first quarter of 2012	15th week
Unaudited interim report for the first quarter of 2012	20th week
Turnover for the second quarter and 6 months of 2012	28th week
Unaudited interim report for the second quarter and 6 months of 2012	33rd week
Turnover for the third quarter and 9 months of 2012	41st week
Unaudited interim report for the third quarter and 9 months of 2012	46th week

Dividend policy

On 21 February 2012, Premia Foods disclosed to the market that the Management Board has submitted its proposal to the Supervisory Board and the ordinary General Meeting of shareholders to distribute 387 thousand euro, i.e. 0.01 euro per share, as dividends for the financial year 2011. With this proposal the company continues to adhere to the dividend policy disclosed in the spring. The liquidity ratios and debt-to equity ratio of the company are solid and the company has sufficient financial power to engage additional funds for investments or the expansion of operations.

General Meeting of shareholders

The ordinary General Meeting of shareholders will be held in May 2012 in Tallinn. The agenda of the General Meeting of shareholders will be made public on the webpage 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 the wide assortment of our 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

According to our strategy Premia Foods is aiming:

- To be among two leading brands in all our 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.

Premia set the following goals for the financial year 2011:

- 11% turnover growth compared to the financial results of 2010;
- 25% growth in profit compared to the financial results of 2010.

While summarising the previous year, Premia exceeded the set turnover goal by 3.3% and the turnover of the company amounted to 88.3 million euro. Mainly due to one-off expenses and the impact of the re-evaluation of livestock, the profit goal was not achieved and instead of the planned profit of 0.6 million euro, the results of 2011 indicated a loss amounting to 0.5 million euro. Nevertheless, the EBITDA from operations approved significantly, having increased by 29%, if compared to the previous year, and amounting to 5.7 million euro.

For the year 2012 Premia has set the following goals:

- Turnover growth of 6%, i.e. turnover of 93.5 million euro;
- The EBITDA from operations will increase by 10.6% amounting to 6.3 million euro;
- Profit before taxes will be 1.6 million euro.

Premia expects growth from all its business segments, continuing to focus on brand building and development of its own brands in all its target markets and taking full advantage of the additional efficiency gained from the reorganisation of the fish and ice cream production operations in 2011.

The amount of investments planned for 2012 is 2.1 million euro, approximately half of which is planned to be used in the fish business segment. This year's investment plan focuses mainly on raising the efficiency of fish farming. The general need for capital expenditures is continuously lower than the yearly amortisation level.

STRENGHTS

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

RISKS

- Rapid price growth of raw material and high volatility of prices;
- Significant increase of the proportion of private label products in all the target markets and the business segments;
- In the ice cream business segment – tightening competitive situation related to the introduction of the products of Unilever in the Baltic markets;
- In the fish business segment risks related to livestock.

ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD

In the summary of the year 2011, Premia Foods exceeded the turnover growth goal being 11% by 3.3%, which meant additional turnover of 11 million euro and total turnover of 88.3 million euro. This result is a remarkable achievement and having said that I would like to express my gratitude to the fantastic team of Premia Foods. Our team has managed to overcome the times of crises and today we are facing new opportunities for growth.

In our business segments the competitive situation is tightening in all our target markets.

In **the ice cream business segment** in the Baltic states we, together with our strong brands, continue in the position of a market leader; however, the year in the ice cream business segment can also be characterised by the extensive launch of private label products in Lithuania and the launch of a "legally compliant" ice cream by a globally recognised ice cream producer, which had a significant adverse effect on our efforts in educating the consumer and growing of the cream ice cream business segment, which we have been engaged in for years in all the Baltic markets. The market share of Premia did not suffer from such questionable market practise; however, we learned a valuable lesson from this – the great and international are willing to use means of whatever nature to seize the market. Premia being the oldest ice cream producer in Estonia and proud owner of historical ice cream brands also in other target countries will focus on high quality and thorough work on developing tastes and brands in order to bring a happy smile of satisfaction to the faces of all ice cream friends – small and not so small ones – with each single Premia ice cream sold.

The results of the ice cream business segment and the whole company were in 2011 mostly influenced by the relocation of the production operations in St. Petersburg, which was logistically challenging and cost intensive task for the whole company. The relocation project was initiated already in the end of 2010 when suitable premises were found in the ice cream factory located in Kirishis, 160 km from St. Petersburg. The actual relocation process started in April 2011 and the new factory was working in full capacity in September 2011. This resulted in pre-production for the summer period, limited sales campaigns, reorganisation of assortment and increased transportation and logistics expenses. Unfortunately the expenses related to the relocation project exceeded our estimation; however, the positive outcome thereof is that we have now moved from expensive rental premises in the centre of St. Petersburg to a more cost-effective and modern factory and that our work in transforming Khladokombinat to a modern, sales and marketing oriented company can be continued according to plan.

The **fish business segment** was the greatest contributor to the overall growth of Premia in 2011. There are multiple reasons for feeling satisfaction from this fact. First of all we were very successful in overcoming the consequences of the fire accident occurred in 2010 and the reorganisation of our production operations resulting from this has turned out to be justified in all aspects. Secondly, we managed to increase our turnover from the fish business segment by 24%, which resulted in additional turnover of 7.2 million euro, 5.5 million euro of which was generated in the Finnish market where our main competitor disclosed the mere 4% growth in sales. We were the winners in the Finnish chilled fish products market mainly due to our aggressive sales work and skilled assortment policy, which was supported by a significant advantage of fish business – vertical integration from fish farming to the sale of the end-product.

The fish business segment was successful also in the Estonian market and 1.7 million euro of the additional turnover was generated mainly in Estonia were the overall consumption of fish and fish products has increased. Such increase was, among other factors, influenced by the psychological effect of decreased numbers of prices arising from the adoption of euro as a valid currency in Estonia. The price of a kilogram of fish is psychologically more acceptable to consumers and the popularity of fish is raised also by the special offers of retail chains. The popularity of packaged fish products is continuing to grow, the tendency may be also seen from the sales of the products sold under Premia's Viking brand, which has been a success among its competitors.

The **frozen goods business segment** is of a significant importance for Premia as it contributes into balancing the sales and logistics expenses during the low season of ice cream sales but it also enables Premia to develop the brands that count, which in turn contribute into holding the profitability of the business activities of the whole company at the desired level. Our engagement in the frozen goods business segment enables us to take full advantage of our competitive strength in the

Baltic market, which is the frozen goods logistics activities covering the entire Baltic market. Mainly due to the so called invisible business unit of our operations being the referred logistics activities we are able to hold the leading positions in the ice cream and frozen goods markets in the Baltic states. The frozen goods logistics is a cost intensive service, which is a remarkable market entrance barrier for all potential competitors and a significant cost for those who operate with product portfolios, which do not cover the whole range of the frozen goods business segment and are therefore more influenced by seasonality. Premia is one of the few who are able to encumber its logistics activities with its own frozen goods and ice cream product portfolios and by doing that is able to balance the impact of seasonality and focus on profitability.

The frozen goods business segment as a whole indicated the signs of recovery in 2011 and such signs were also evident in Latvia, which was the target market of Premia suffering the most due to the financial crisis. In 2010, the frozen goods business segment was dominated by ready-made products in the lower end of the price range; however, in 2011 the preference moved towards pizzas and vegetable mixtures in the upper end of the price range. The eating out culture is also indicating the signs of growth, which also has a positive impact on the sales of frozen goods. The Lithuanian market gave us a reason for satisfaction with its improved growth numbers.

As to the most significant events in 2011 - in addition to the relocation of the Russian ice cream factory, the corporate structure of Premia Foods was reorganised in order to simplify the group structure and raise the efficiency of the management of the subsidiaries. Two fish farming companies Skårgårdshavets Fisk AB and Överumans Fisk AB were merged into one single entity, which continued its operations under the business name Överumans Fisk AB being the subsidiary of Heimon Kala Oy.

In addition to the above, OÜ TCS Invest was merged into AS Premia Foods and the previous Russian subsidiaries of OÜ TCS Invest OOO Khladokombinat No. 1 and OOO Khladomagija are now the fully-owned subsidiaries of Premia Foods. In Latvia we initiated the procedure of merger of SIA F.F.L.S and A/S Premia FFL and we hope to finalise the merger in the first half of 2012.

BALTIC MARKET AWARDS
NASDAQ OMX
EXCELLENCE IN INVESTOR RELATIONS
MOST VISIBLE IMPROVEMENT
OVER THE YEAR 2011

In 2011, NASDAQ OMX awarded Premia with the award in the category of the most visible improver in the investor relations, which was a remarkable achievement for Premia Foods. Premia Foods having a listed company experience for the mere 1.5 years is focusing on the improvement of the quality of our investor relations and expect to show continuously better results in that area. Being a public company we are willing to listen and if possible bring to life all proposals, which would enable us to make Premia Foods even more understandable and transparent to investors. Therefore I invite you all to visit our website www.premiafoods.eu and provide us with your opinions and proposals in respect of the above.

The plans for 2012 have been made in a realistic manner taking into account the competitive situation and our current knowledge regarding the raw material prices. We expect 6% turnover growth and 10.6% improvement in respect of the EBITDA from operations. Our profit before taxes is expected to be 1.6 million euro. These goals are a clear sign of Premia's intention to focus on profitable growth and we believe that there are plenty of opportunities to meet our goals in all our business segments and target markets.

Kuldar Leis

Chairman of the Management Board

AS Premia Foods

TEAM

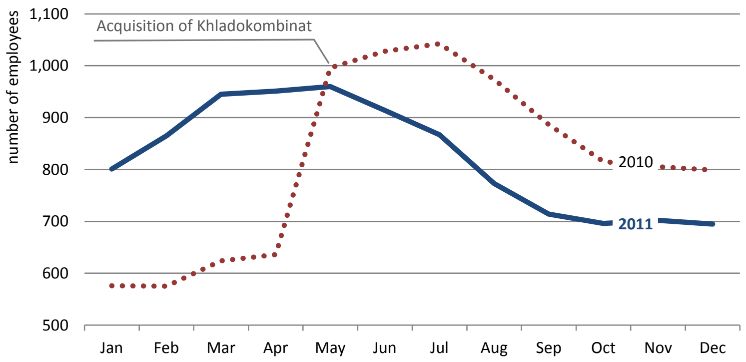
As at the end of 2011 Premia employed altogether 695 people, which is 12.8%, i.e. 102 people less than in 2010. The average number of employees in 2011 was 825 people (in 2010 the same number was 813).

The number of employees, excluding Russia, remained in the summary of the year on the same level as in 2010. The main changes in personnel were related to the reorganisation of the production operations in Russia where the number of employees decreased by 99 people by the year end.

The total amount of remuneration and employment taxes in 2011 was 12.3 million euro. The personnel costs increased by 9%, i.e. 1.0 million euro during the 12 months. The increase of personnel costs occurred due to the acquisition of the Russian business unit in May 2011, which means that in 2010 the personnel costs were not consolidated during the period January -April, additionally, in 2010, the personnel costs related to the lay-off of employees in Finland were decreased in the account of the insurance compensation. The impact of the above-described circumstances to the personnel costs was 1,3 million euro. Comparable personnel costs in 2010 were 12.5 million euro.

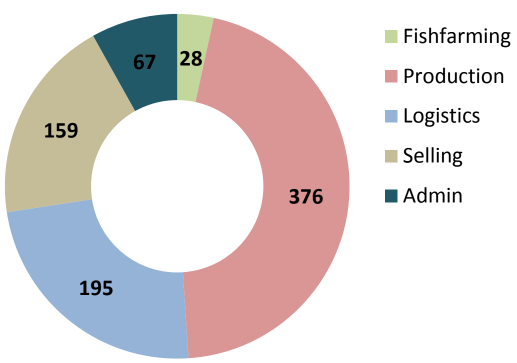
The average cost per person was in 2011 14.9 thousand euro (in 2010 13.8 thousand euro).

Premia's human resources needs vary per months as indicated below:

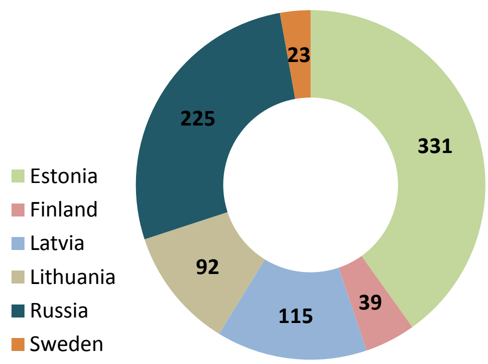


As may be seen from the chart on the left, human resources needs are higher during the summer period and this is due to the seasonal nature of ice cream production. During the high season Premia uses additional seasonal staff.

Per areas of activity, the staff of Premia was in 2011 divided as follows:



Per countries, the staff of Premia was in 2011 divided as follows:



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 as an important part of everyday work.

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 subsidiaries and the reimbursements of bonus 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.

The Supervisory Board members of Premia Foods were in 2011 remunerated in the total amount of 33 thousand euro (in 2010, 12 thousand euro). The increase of the respective number has occurred due to the fact that on 31 May 2011 the ordinary General Meeting of shareholders resolved to remunerate the five members of the Supervisory Board with the monthly remuneration of 500 euro (gross amount). The above-mentioned total amount includes also the fees paid to the two members of the audit committee.

As at today the Supervisory Board of the company comprises of six 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. In order to express our care and responsibility we have chosen certain areas of activity, supporting which we wish to draw attention and raise the consciousness in respect the environment surrounding us.

1. **Sportive lifestyle**

   By today, Premia has been the main sponsor for the ice arena bearing Premia's name – **Premia Ice Arena** – for 11 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 promoting sport lifestyle among the children already from early age and provide them with an additional opportunity of self-realisation.

   For 5 years already Premia has supported well-known handball team **Põlva Serviti** being one of the major sponsors of the team. 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 the dominant trends. Premia considers valuable to contribute into broadening of the mind of us all and therefore support in 2011 was provided into numerous culture projects.

   The tradition of the **National Singing and Dancing Festivals** in Estonia is blooming and in the summer of 2011 Premia had once again the honour of being one of the main sponsors of the event. Supporting the singing and dancing festivals, especially the youth singing and dancing festivals has been one of the missions of Premia already more than 15 years as we deem it very important to preserve the Estonian national singing and dancing culture and promote it already among the children. In connection with the Youth Singing and Dancing Festival held in 2011 we launched new ice cream product named Vana Toomas, the recipe of which is origin from times when the first Youth Singing and Dancing Festival was held, and which as a symbol of Tallinn city suits well to represent that festival and the 2011 status of Tallinn as the Culture Capital of Europe.

   Viljandi Folk, the most popular festival in Estonia introducing local and foreign folk music was held also in 2011 and Premia was also one of the main sponsors of that event. 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.

   The **opera music festival** held in Kaunas is one of the greatest and most popular music events in Lithuania and Premia had the pleasure to support this magnificent event in 2011 and contribute to holding this great event. The festival held in open air is free of charge for its audience.

   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 2011, Premia continued to support the **subproject of the Black Nights Film Festival (PÖFF) Justfilm** considering this to be an important opportunity to broaden the understanding of the world of children and youth with cinematheque films.

   We continued the co-operation with the **Roof Top Cinema** offering a novelty open air cinema experience, which is also plays cinematheque films (both modern and historical) and has turned out to be very popular not only in Tallinn but all over Estonia throughout the summer.

3. **Our environment**

   Human activities have left their marks on 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 emphasize the need to have a responsible attitude in respect of nature all over the world.

Due to the above, Premia continued the co-operation project with the Tallinn Zoo of being the godparent to **snow leopard** (*Uncia uncia*). By today this project has lasted over 8 years and the main goal of the project is to ensure good living conditions to these rear felines. 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.

We also continued our co-operation project with the **dolphinarium** located in Klaipeda. Being familiar with sea's flora and fauna is important to children but also to grown-ups and dolphins being among most intelligent sea creatures turn up the volume of the message.

ENVIRONMENTAL RESPONSIBILITY

Premia Foods in the owner of several fish farms and altogether four production units, two of which are fish production unites and the remaining two ice cream factories.

All the above-referred business units have certain influence on the environment and as from 2010 Premia has taken significant steps in order to minimise such influence on the environment. The initial action in this respect was taken in our fish farming and production units in Sweden, Finland and Estonia. Action necessary for minimising the influence on the environment was systematically continued also in 2011.

Minimising the influence on the environment of the fish production activities has been introduced in all main phases of production and processing.

In the fish gutting process all side products are gathered and processed with the aim of turning them into the raw material of biofuel, the sewage water of the production process is cleaned in our own sewage water cleaning facility before such water is directed into natural water reservoir or the local public water cleaning facilities. The waste of fish processing operations is gathered, packaged and sold for forage for fur-bearing animal farms. The sewage water is cleaned and directed into sea or local public water cleaning facilities. All dead fish are gathered and frozen and later directed into the production facilities of biogas.

Premia Foods was the first entity engaged in fish farming in Finland who conducted a localisation management procedure aiming to concentrate the fish farming units spread in the Turu archipelago. The main goal of the localisation management procedure is to find such a farming location where there would be optimal conditions from the point of view of environmental protection, the well-being of fish, the logistics and the surroundings. As a result of concentrating the fish farming locations, the improvement of control and management of fish farms is achieved, this in turn results in decrease of the adverse effect of environmental influence and economic efficiency. All the above means less traffic on the sea and the possibility of using better equipment. This means that for example the amount of phosphorus dissolved into the water is 2,273 kg less in one year and the amount of nitrogen would decrease by 15,614 kg in one year.

The efficiency of the Swedish fish farms can be characterised by the fact that as at today the average feed conversion is 1.15, which is significantly better ratio than the one allowed by the farming permit, which is 1.3.

An important milestone from the environmental protection point of view was the establishing of modern (BAT) sewage water cleaning facilities in the fish slaughtering houses in Finland and Sweden in 2010. In Finland, in addition to cleaning the sewage water of fish gutting process, the sewage water of certain houses in the local village is cleaned free of charge and in the near future it is planned to direct the remaining part of the village's sewage water into our sewage water cleaning facilities, which results in the decrease of the environmental burden on the local water reservoir. This is possible due to the 95% efficiency of our water cleaning facilities, which is significantly higher than would be allowed by the environmental permit issued to us.

In 2011, Premia acquired a new fish gutting equipment for its Swedish fish farming unit, which decreases the adverse influence on the environment remarkably. The new equipment enables us to increase the daily gutting volumes significantly, using 50% less water in the process, which in turn decreases materially the amount of chemicals used and sediment produced in the process.

In Premia's fish production unit in Saaremaa a new fish melting system was introduced, which in 2011 resulted in the decrease of water usage by 2,000 m^3, whereas the production volumes have increased by 544 tons, i.e. 25.4%. All package materials used in the fish production units are directed into recycling.

As an international food producer Premia continues to decrease the influence of its activities on the environment also in 2012 in all its production and processing units in respect of both – production operations and the usage of package materials.

in thousands of euros

MANAGEMENT REPORT

The audited consolidated turnover of Premia Foods of 2011 was 88.3 million euro. The turnover increased by 11 million euro, i.e. 14%, if compared to the previous year. Premia exceeded its turnover forecast for 2011 by 2.8 million euro, i.e. 3.3%. The proportion of export in the turnover was 71%.

The gross profit of 2011 was 22.9 million euro, having increased by 23%, i.e. 4.3 million euro, if compared to the previous year. In the summary of the year, the gross profit increased in all business segments, the greatest growth was achieved in the fish and fish products business segment.

The gross margin of 2011, if compared to 2010, improved and the yearly average gross margin was 26%, which is 1.8 percentage points higher than in 2010.

The EBITDA from operations in 2011 was 5.7 million euro, in 2010 the respective number was 4.4 million euro. The growth, if compared to 2010, was 29%.

The one-off expenses of the year 2011 in the amount of 1.1 million euro arouse in connection with the relocation of the production and logistics operations in Russia. The profit of 2010 includes the insurance compensation for the loss of profit in the fish and fish products business segment in the amount of 1.6 million euro.

The impact of the re-evaluation of livestock to the profit of year 2011 was -0.5 million euro, in 2010 the respective figure was 1.0 million euro. The re-evaluation of livestock does not influence Premias's everyday activities.

While summarizing year 2011, Premia earned loss in amount of 0.6 million euro.

The following table summarises the key ratios of the group for 2011.

KEY RATIOS

Profit & Loss, EUR mln	*formula*	**2011**	2010	2009
Sales		**88.3**	77.3	68.7
Gross profit		**22.9**	18.7	17.8
EBITDA from operations	before one-offs and fair value adjustment	**5.7**	4.4	4.0
EBITDA		**4.1**	7.1	6.2
EBIT		**0.2**	3.1	2.5
Net profit		**-0.6**	1.3	0.7
Gross margin	Gross profit / Net sales	**26.0%**	24.2%	25.9%
EBITDA margin	EBITDA from operations / Net sales	**6.5%**	5.7%	5.8%
EBIT margin	EBIT / Net sales	**0.2%**	4.0%	3.7%
Net margin	Net earnings / Net sales	**-0.6%**	1.7%	1.0%
Operating expense ratio	Operating expenses / Net sales	**25.8%**	24.8%	25.5%

Balance Sheet, EUR mln	*formula*	**31.12.11**	31.12.10	31.12.09
Net debt	Interest bearing Liabilities - cash	**11.3**	11.2	18.5
Equity		**40.5**	41.4	27.7
Working capital	Current Assets - Current Liabilities	**13.7**	12.8	3.3
Assets		**64.1**	68.9	62.8
Liquidity ratio	Current Assets / Current Liabilities	**2.19**	1.87	1.15
Equity ratio	Equity / Total Assets	**63%**	60%	44%
Gearing ratio	Net Debt / (Equity + Net Debt)	**22%**	21%	40%
Net debt-to-EBITDA	Net Debt / EBITDA from operations	**1.98**	2.54	4.65
ROE	Net Earnings / Average Equity	**-1%**	4%	3%
ROA	Net Earnings / Average Assets	**-1%**	2%	1%

EBITDA = earnings before interest, tax, depreciation and amortisation

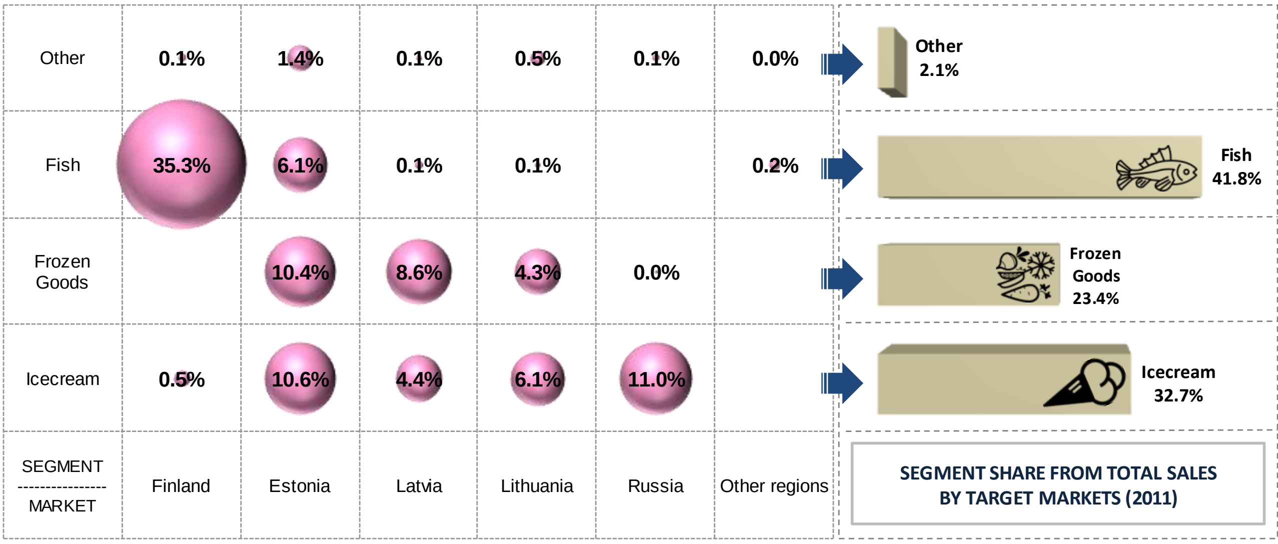
BUSINESS SEGMENT ANALYSIS

On the basis of the turnover results of the 2011, the product portfolio of Premia Foods is dominated by the fish and fish products business segment with the proportion of 42%. The fish and the fish products business segment is followed by the ice cream business segment with the proportion of 33% and the frozen goods business segment holding the proportion of 23% of the product portfolio.

The main target market of the fish and fish products business segment is Finland, the target markets of the ice cream business segment are the Baltic states and St. Petersburg's region. Premia sells the frozen goods in Estonia, Latvia and Lithuania.

As today, Premia Foods operates in five target markets and three business segments, whereas Premia is represented among the two leading brands in all its target markets and business segments as set forth in the business strategy of the company.

The associations between Premia Foods business segments and geographical markets have been summarized in the following chart, where the proportions of all business segments in the total turnover per target markets have been indicated. From that chart it may concluded that 35.3% of the total turnover of Premia Foods in the 12 months of 2011 was generated from fish and fish products sold in the Finnish market, 23.3% from frozen goods sold in Baltics and 21.1% from ice cream sold in Baltics.



The key ratios of Premia Foods per business segments:

While analysing Premia's turnover of the previous three years it is evident that the greatest input to the growth has come from fish and ice cream business segments. Regarding the fish business segment, it has been mainly organic growth, which is the result of significant efforts in the field of sales and product development, which ended up in actual results only in 2011. The profitability of the fish business segment is materially influenced by re-evaluation of livestock, which varies remarkably from year to year and in which this business segment and Premia as a whole are dependent on the world market price levels.

The growth of the turnover of the ice cream business segment was influenced by the acquisition of the Russian ice cream business unit in May 2010, which also had an effect on the gross margin as the ice cream prices in Russia have historically been lower than in Estonia or in the Baltics. In addition to the acquisition of the Russian business unit, the ice cream business segment has done well also in the Baltics where the increased volumes and gross margins are higher than the average in this business segment.

The frozen goods business segment, which in respect of sales and logistics is fully integrated with the ice cream business segment, is recovering from the crisis and throughout the previous three difficult years, the main goal of Premia has been to maintain stable gross margin in this business segment. We have succeeded in doing that and it is evident that the sales volumes are slowly gaining their pre-crisis levels. In the frozen goods business segment, the ones to suffer the most were the Latvian market and HoReCa sector but this has been balanced by the growth of the volumes of frozen goods in Lithuania and stable results achieved in Estonia.

in thousands of euros

SEGMENT ANALYSIS

EUR million	2011	2010	2009
Sales			
Ice cream	28.8	26.4	16.1
Frozen goods	20.6	19.8	22.4
Fish and fish products	36.9	29.8	29.3
Other	1.9	1.3	0.9
Total	**88.3**	**77.3**	**68.7**
Gross profit			
Ice cream	10.5	10.0	6.9
Frozen goods	4.6	4.5	4.8
Fish and fish products	7.2	3.9	5.9
Gross margin			
Ice cream	37%	38%	43%
Frozen goods	22%	22%	22%
Fish and fish products	19%	13%	20%

EUR million	2011	2010	2009
EBITDA from operations			
Ice cream	2.6	3.4	2.6
Frozen goods	-0.3	-0.6	-0.3
Fish and fish products	3.8	1.5	1.7
EBITDA			
Ice cream	1.5	3.4	2.6
Frozen goods	-0.3	-0.6	-0.3
Fish and fish products	3.3	4.1	2.1
EBIT			
Ice cream	0.0	1.9	1.5
Frozen goods	-0.9	-1.4	-1.1
Fish and fish products	2.1	3.0	1.0

Fish and fish products business segment.

While summarising the year, **the fish and fish products business segment** generated the turnover of 37 million euro and the total 24% growth in turnover. 5.5 million euro of the additional turnover of 7.2 million euro earned in 2011 was generated in the Finnish market and the remaining part in the Estonian market.

The greatest growth in sales, i.e. the 61%, has been achieved in the sales of cold and hot smoked fish products, which as at today generate 1/3 of the total turnover of this business segment.

While summarising the year, the **gross margin** of the fish and fish products business segment was 19%, which is by 6 percentage points higher than the average of 2010.

In 2011, this business segment earned 7.2 million euro of gross profit, the growth as compared to 2010 was 85%.

The **EBITDA from operations of the fish business segment** in 2011 has increased by 2.3 million euro, reaching 3.8 million euro. The EBITDA and operational profit of 2010 included the insurance compensation for the loss of profit in the amount of 1.6 million euro.

Heimon suoraan pinnan alta.

VIKING

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 (Premias'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 purchase 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 therefor offer high-quality end-product. Approximately 80% of the price of the fish 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.

Ice cream business segment

In the summary of 2011, Premia earned the **turnover** of 28.8 million euro, and additional turnover of 9%, i.e. 2.4 million euro, from the ice cream business segment. In the Baltic states, the turnover of ice cream segment was 19.1 million euro in 2011, growing by 10% compared to the year 2010.

The average **gross margin** of the ice cream business segment in 2011 was 37%, which is on the same level with the same ratio of the same period last year.

In the summary of 2011, this business segment earned **gross profit** of 0.5 million euro more than in 2010. While summarising the year 2011, the ice cream business segment earned gross profit in the amount of 10.5 million euro – this granted the ice cream business the leading position among all the business segments and formed 47% of the total gross profit of Premia.

In the summary of the 12 months of 2011, the ice cream business segment generated 1.5 million euro of **EBITDA**, while in the Baltic states Premia earned 3.5 million euro of EBITDA, i.e. 0.5 million euro more than during the year 2010. Mainly due to the one-off cost arising from the relocation of the ice cream factory in St. Petersburg, the EBITDA of this business segment was less than the respective results in 2010.

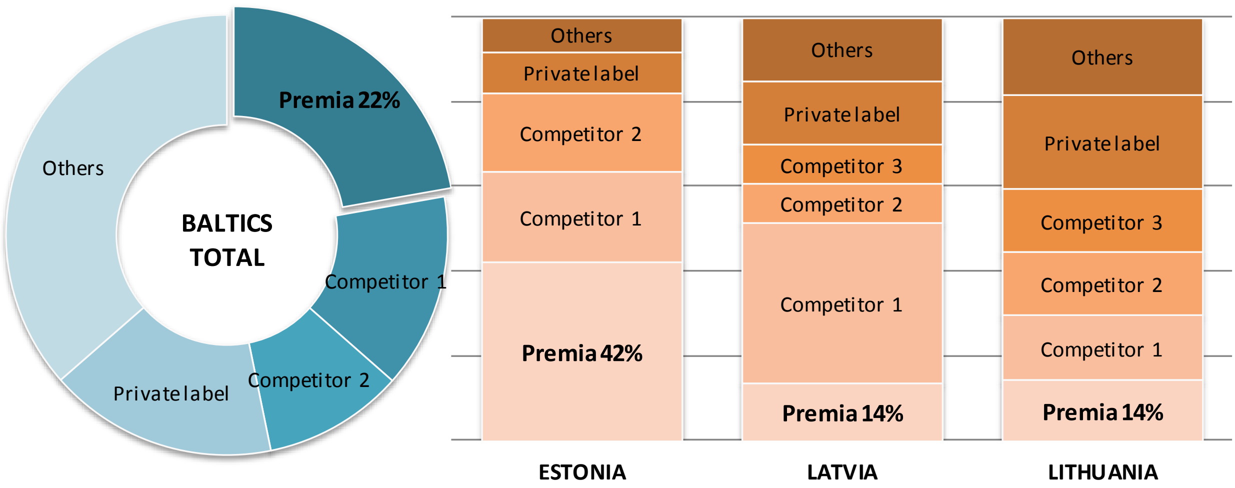
In 2011 Premia continued as the market leader of the Baltics' ice cream market and is focused on brand building and development.

In the Estonian market, the leading brand of the ice cream market is Eriti Rammus with the market share of approximately 13%. Eriti Rammus is followed by Väike Tom, Vau and Põhjatäht. The co-operation with the confectionary Kalev has been a success and resulted in the launch of an ice cream called Mesikäpp, which was by the end of the summer on the strong sixth position in the Estonian ice cream market.

In Latvia, the leading brands are Klasika and Premia and similarly to Estonia, in 2011, successful co-operation was started with chocolate factory Laima, and in the co-operation with the latter 3 new ice creams were launched – Laima, Serenade and Vaverite, which by the end of the summer had achieved the market share of 2.5%.

In Lithuania, there is a strong price pressure, mainly from private label products. The private label products of retail chains sold in Lithuania have almost 50% market share, i.e. over two times more than in other Baltic markets. Additionally, this market has strong price pressure by the products in the lower end of the price range, which have approximate market share of 10-15%. Therefore, the strong and appreciated brands compete for the market share of 30-35%. The main focus of Premia in the Lithuanian market was put on decent distribution and good visibility, focusing less on price campaigns and products in the lower end of the price range with the purpose of maintaining the market share, which is held by the products in the middle and upper end of the price range. Premias's leading brands in Lithuania are still Klasika and Premia.

The below charts characterise the division of the Baltic ice cream market during the period of April to September 2011.



Source: AC Nielsen, management estimation

Frozen goods business segment

In the summary of the year, the frozen goods business segment achieved turnover growth of 4% and the turnover of 20.6 million euro.

The **gross margin** of the frozen goods business segment was 22%, which is very good result considering the increased turnover and the growth of the sales of products in the lower end of the price level.

In 2011, this business segment earned **gross profit** of 0.1 million euro more than during the same period 2010, and resulted in 4.6 million euro.

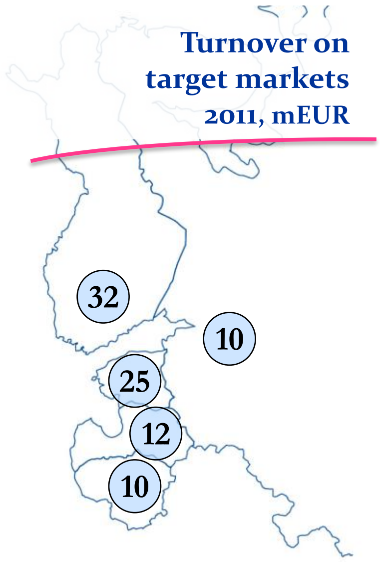
In the summary of the 12 months, the **EBITDA** of the frozen goods business segment was -0.3 million euro and if compared to the same period in 2010, this ratio has improved by 0.3 million euro.

In frozen goods business segment, Premia focuses on its own brands Maahärra, Bueno!, the frozen fish products are sold under the brand Viking, Oto and Natali in all three Baltic states. On-going efforts are made to develop and expand the product portfolios of these brands, where necessary, optimizing measures are taken. After the financial crisis, which resulted in an evident preference of the products in the lower end of the price range, an increased interest in respect of convenient food can now be noticed; recovering signs may be spotted also in the HoReCa sector. In 2011, the greatest development in Premia's frozen goods business segment has been achieved in Lithuania, above all in the HoReCa sector. In Latvia, both – retail and HoReCa markets are recovering and, in Estonia, the sales are developing in a stable manner in detail and well as in the HoReCa sector.

in thousands of euros

BUSINESS SEGMENT ANALYSIS BY MARKETS

	GEOGRAPHICAL MARKETS				
Sales (EUR million)	**2011**	2010	2009	11/10	10/09
Finland	**31.8**	26.2	24.9	+21%	+5%
Estonia	**25.2**	21.6	22.8	+17%	-5%
Latvia	**11.7**	10.9	11.8	+7%	-8%
Lithuania	**9.6**	9.3	8.7	+4%	+6%
Russia	**9.8**	9.2	0.0	+7%	x
Other	**0.2**	0.2	0.5	+19%	-71%



The summary of the 12 months, the turnovers in all Premia's target markets have increased, if compared to 2010.

The **Finnish market** is turnover-wise the largest target market for Premia and in 2011 made a remarkable achievement in the growth of turnover, generating 5.6 million euro of additional turnover, which means 21% growth. In the Finnish market, Premia sells mainly chilled and frozen fish products and the growth in turnover was the result of aggressive sales and assortment strategy.

The **Estonian market**, holding the second place among Premia's target markets has in 2011 also been very successful. The turnover of the Estonian market, if compared to 2010, has increased by 17%, i.e. 3.6 million euro. In the Estonian market, Premia sells ice cream, frozen goods and chilled and frozen fish products.

The turnover growth in the **Latvian market**, if compared to 2010, has been 7%. In Latvia (as in Estonia) the whole product portfolio of Premia (ice cream, frozen goods and fish products) is represented in the market and the achieved 7% growth in turnover indicates signs of recovery from the crisis.

Lithuania has exceeded the result of 2010 by 0.4 million euro, i.e. by 4%. In Lithuania, the product portfolio also comprises of fish, ice cream and frozen goods, whereas the greatest developments in 2011 were achieved in the frozen good and fish business segment, whereas the ice cream business segment suffered in the 2011 third quarter because of the poor weather conditions.

Russia has, in 2011, if compared to 2010, achieved turnover growth of 7.4% and by the end of the year 2011, the turnover reached 9.8 million euro. In Russia, the main event of the year was the relocation of the factory, which resulted in larger costs than initially planned and in reorganization of the product portfolio. Due to the fact that the summer in St. Petersburg was poorer than for example in the Baltics there was also certain decrease in the consumption of ice cream in that region, which had adverse effect on the sales of the 3rd quarter. In the 4rd quarter, there was also certain fall-back, if compared to the same period in 2010, which is the result of the price pressure in that market. In the St. Petersburg's market, Premia also focuses on long-term brand-building of strong brands sold in the middle and upper end on the price range.

in thousands of euros

COST ANALYSIS

The turnover growth of 11.0 million euro, i.e. 14% achieved in 2011 had certain effect on the operating costs. In the summary of the 12 months of 2011, the operating costs increased by 3.6 million euro, i.e. by 19%. The greatest part of the increase of operating costs, i.e. 3.0 million euro, came from the increase of the marketing and sales costs. The proportion of operating costs in the turnover went up by 1 percentage point level of 25.8% but at the same time the gross margin improved by 2 percentage points and reached the level of 26%. In total, the proportion of costs in the turnover decreased by the 1 percentage point.

During this period, the marketing costs increased by 0.4 million euro mainly due to the increase of sales volumes of fish products in Finnish market. Securing the market positions in the Baltics and Russian market resulted in the increase of marketing costs also in these markets.

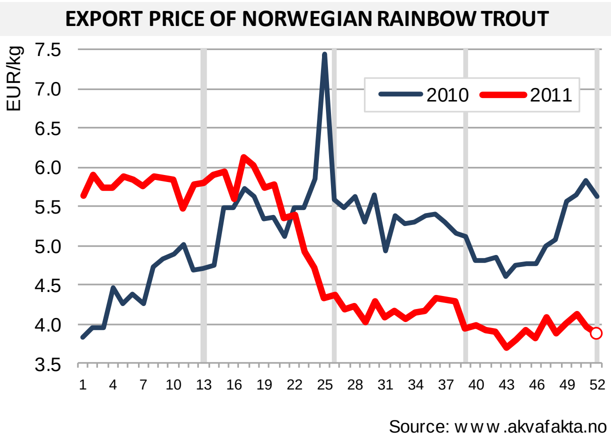
	2011 *EUR mln*	2010 *EUR mln*	change *EUR mln*	2011 *as % of sales*	2010 *as % of sales*	change *as % of sales*
Sales	**88.3**	**77.3**	**+ 11.0**	**100.0%**	**100.0%**	
Cost of goods sold	**- 65.4**	**- 58.6**	**+ 6.8**	**74.0%**	**75.8%**	**- 1.8%**
incl one-off exp	- 0.6		+ 0.6	0.7%		+ 0.7%
materials in production & cost of goods purchased for resale	- 53.9	- 48.1	+ 5.7	61.0%	62.3%	- 1.3%
labour costs	- 5.3	- 4.7	+ 0.5	5.9%	6.1%	- 0.2%
depreciation	- 1.9	- 1.7	+ 0.1	2.1%	2.2%	- 0.1%
other cost of goods sold	- 4.4	- 4.0	+ 0.4	5.0%	5.2%	- 0.2%
Operating expenses	**- 22.8**	**- 19.1**	**+ 3.6**	**25.8%**	**24.8%**	**+ 1.0%**
incl one-off exp	- 0.4		+ 0.4	0.4%		+ 0.4%
labour costs	- 7.0	- 6.5	+ 0.5	8.0%	8.4%	- 0.5%
transport & logistics services	- 4.1	- 2.5	+ 1.7	4.7%	3.2%	+ 1.5%
depreciation	- 2.1	- 2.3	- 0.2	2.4%	3.0%	- 0.6%
marketing	- 2.3	- 1.9	+ 0.4	2.6%	2.5%	+ 0.2%
other operating expenses	- 7.2	- 5.9	+ 1.3	8.2%	7.7%	+ 0.5%
Other income/expenses	**0.5**	**2.5**	**+ 2.1**	**-0.5%**	**-3.2%**	**+ 2.7%**
incl one-off exp	- 0.1	1.6	+ 1.7	0.1%	-2.1%	+ 2.2%

The increase of transportation and logistics costs was 1.7 million euro. In addition to the sales increase driven increase of costs, the increase of transportation and logistics costs also occurred due to the reorganization of distribution and logistics services in Russian market. One-of adverse effect in the amount of 0.2 million euro came from the temporarily increased costs of logistics services in the period from June to October, which was the result of change of control in the Finnish co-operation partner.

The operating costs of 2011 include also the one-off moving expenses related to the relocation of the Russian business operations in the amount of 0.4 million euro. The total amount of the one-off expenses in 2011 relating to the relocation of logistics and production operations in Russia was 1.1 million euro.

The other operating expenses of 2010 include the insurance compensation for the loss of profit in the amount of 1.6 million euro.

in thousands of euros



80% of Premia's livestock at the end of the year is rainbow trout breed in the fish farms in Finland and Sweden.

As may be seen in the chart on the left, the comparative prices of rainbow trout have decreased by 29% during the year 2011, while during the year 2010 the price went up by 48%. During the 12 months there has occurred a loss in the amount of 0.5 million euro due to the revaluation of livestock occurred due to the fluctuations in price, whereas during the year 2010, there occurred profit in the amount of 1.0 million euro. The main difference occurred due to the movement of references prices in different directions in 2010 and 2011.

The profit/loss arising from revaluation of livestock has no impact on the cash flow of the company and is not related to everyday business activities. Compared to the previous year the weight of Premia's livestock has at the balance sheet date increased by 5%, which means that it is increased by 98 tons and in addition to rainbow trout, the proportion of whitefish (*Coregonus lavaretus*), a fish with a higher additional value, is continuously increased.

FINANCIAL POSITION

The financial position of the company is continuously solid and the financial risk low.

LIQUIDITY AND SOLVENCY RATIOS

Ratio	*formula*	**31.12.11**	31.12.10	31.12.09
Liquidity ratio	Current Assets / Current Liabilities	**2.20**	1.87	1.15
Equity ratio	Equity / Total Assets	**63%**	60%	44%
Gearing ratio	Net Debt / (Equity + Net Debt)	**22%**	21%	40%
Net debt-to-EBITDA	Net Debt / EBITDA from operations	**1.98**	2.54	4.65

The company evaluates the level of financial risk on the basis of the liquidity ratio and net debt to EBITDA ratio. As at 31.12.2011 the net debt to EBITDA ratio was 1.98 (on 31.12.2010 the same ratio was 2.54). The financial leverage, i.e. the proportion of net debt in the total capitalisation of the company was 22% (21%) and the proportion of short-term liabilities in the loan portfolio was 23% (20%). The liquidity ratio demonstrating short-term solvency was as at 31.12.2011 2.19 (on 31.12.2010 1.87) and the proportion of equity in the balance sheet total was 63% (60%). The company had working capital in the amount of 13.8 million euro (12.8 million euro).

The cash flow from operations was 4.9 million euro (2.3 million euro). The debt collection period decreased, if compared to the previous year, by 18 days.

BALANCE SHEET ANALYSIS

The consolidated balance sheet total of Premia Foods was at 31.12.2011 64.2 million euro, having decreased by 4.8 million euro, i.e. 7%.

The company's assets amounted to 25.2 million euro and the balance of bank accounts was 0.7 million euro. As at 31.12.2011 the company has undrawn overdraft facility limit in the amount of 2.1 million euro.

Accounts receivable and prepayments amounted 7.2 million euro and 87% of the accounts receivables and prepayments were trade receivables. Compared to the previous year, the accounts receivable and prepayments decreased by 28%, whereas the turnover of the same period increased by 14%.

32% of the current assets was livestock and 36% other inventories. The livestock decreased in the monetary value by 0.2 million euro if compared with the end of previous year, at the same time the weight of livestock increased by 5%, i.e. 98 tons. The stock products, goods for sale and raw material grew by 7%, i.e. 0.6 million euro, if compared to the same period previous year.

Accounts payable and prepayments have decreased by 12%, i.e. 1.1 million euro, if compared to 31.12.10. Total liabilities in total have decreased by 14%, i.e. 4.0 million euro down to 23.7 million euro. Short-term and long-term loans are 12.0 million euro of total liabilities. The equity of Premia Foods was as of 31.12.2011 40.5 million euro.

in thousands of euros

INVESTMENTS

During the year 2011, the expenditures into Premia Foods' **tangible and intangible assets** formed 1.8 million euro (in 2010 2.0 million euro) of which 42% or 0.75 million euro were made in the fish segment. During the accounting period, the investments were eligible for aid from the European Union in the total amount of 0.4 million euro. The amount of net expenditures in 2011 was 1.4 million euro. The amount of 0.5 million euro of the expenditures have been financed by financial lease.

The largest investment in the amount of 0.3 million euro was made into automation of the Sweden fish farms. The payback period of the acquired automatic fish gutting line is expected to be 2 years.

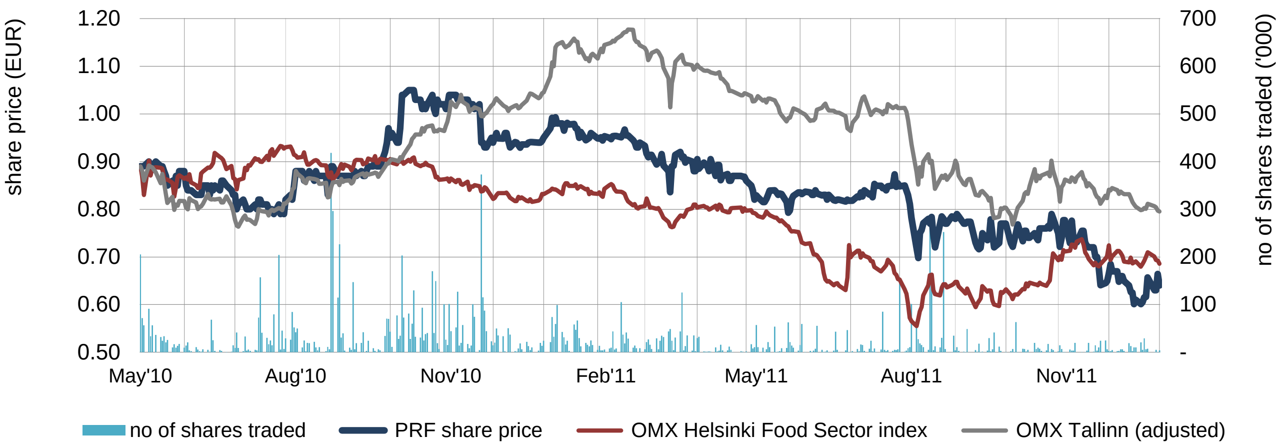
There were no **financial investments** made during the accounting period (in 2010 3.5 million euro).

PREMIA FOODS SHARE

Premia Foods shares are 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 0.60 euro (nominal value was 10 EEK until 13.04.2011).

ISIN	EE3100101031
Symbol of share	PRF1T
Market	BALTIC MAIN LIST
Nominal value	0.60 EUR
Issued shares	38 682 860
Listed shares	38 682 860
Listing date	05.05.2010

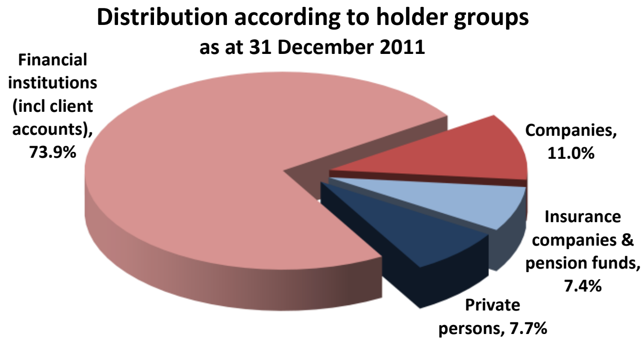
The dynamics of the share price of Premia Foods (EUR) and the volume of transactions (number of shares traded) during the period from 5 May 2010 up to 31 December 2011.



in thousands of euros

Shareholder structure

Major shareholders of Premia Foods AS as at 31.12.2011:
ING Luxembourg S.A. (nominee account) ---------62.71%
LHV Pensionifond L-------------------------------------- 4.18%
OÜ Rododendron -------------------------------------- 3.36%
Firebird Republics Fund Ltd. -------------------------- 3.09%
Ambient Sound Investments OÜ -------------------- 2.94%
Skandinaviska Enskilda Banken Ab Clients ---------- 1.98%
Firebird Avrora Fund. Ltd. ---------------------------- 1.68%
LHV Pensionifond XL ----------------------------------- 1.34%
OÜ Footsteps Management ---------------------------- 1.27%
Compensa Life Vienna Insurance Group SE -------- 1.09%
OÜ Freespirit -- 0.94%
Skandinaviska Enskilda Banken Finnish Clients ---- 0.97%



As at 31.12.2011, the members of Management and Supervisory Board and persons/companies related to them hold the shares in the company as indicated below:

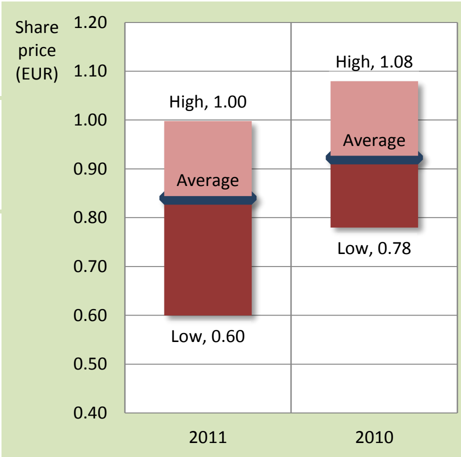
Shareholder	**31.12.2011 No of shares**	**%**
Chairman of the Management Board – Kuldar Leis	1,302,166	3.37%
Member of the Management Board – Katre Kõvask	493,828	1.28%
Member of the Management Board – Silver Kaur	365,141	0.94%
Chairman of the Supervisory Board – Indrek Kasela	41,823	0.11%
Member of the Supervisory Board – Lauri Kustaa Äimä	125,000	0.32%
Member of the Supervisory Board – Vesa Jaakko Karo	90,000	0.23%
Member of the Supervisory Board – Erik Haavamäe	185,242	0.48%
Member of the Supervisory Board – Harvey Sawikin	no shares	
Member of the Supervisory Board – Aavo Kokk	no shares	
Total number of shares owned by the Supervisory and Management Board	**2,603,200**	**6.73%**

The division of shareholders per number of acquired shares:

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1..1,000	702	45.1%	367,556	1.0%
1,001..10,000	749	48.1%	2,191,493	5.7%
10,001..50,000	78	5.0%	1,564,274	4.0%
50,001..100,000	10	0.6%	755,145	2.0%
More than 100,000	19	1.2%	33,785,229	87.4%
Total	1,558	100.0%	38,663,697	100.0%

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

	2011	2010
The average number of shares during the trading period (in thousands)[1]	38,664	38,664
Opening price (EUR)	0.95	0.93
The highest price of the share (EUR)	1.00	1.08
The lowest price of the share (EUR)	0.60	0.78
Average price of the share (EUR)	0.84	0.92
Closing price at the year-end (EUR)	0.64	0.95
Number of shares traded (in thousands)	4,564	7,048
Turnover (in million EUR)	3.84	6.51
Market value (in million EUR)	24.76	36.75
Profit per share (EUR)	-0.01	0.03
Dividend per share (EUR) [2]	0.01	0.01
Dividend rate	1.6%	1.1%
Dividend / net profit	-70%	30%
Enterprise value / sales [3]	0.4	0.6
Price-to-EBITDA[4]	6.0	5.2
Price earnings [5]	neg	28.2
Price-to-book [6]	0.61	0.89



[1] the average number of shares during the period from 5 May – 31 December 2010; the number of shares has been decreased by the treasury shares
[2] dividend per the proposal of distribution of profit
[3] Market value + Net debt at the year-end / turnover of the period
[4] Market value at the year-end / EBITDA of the period
[5] Market value at the year-end / profit of the period
[6] Market value at the year-end / equity at the year end

The Corporate Governance Report

Introduction

The Corporate Governance Recommendations as 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 in the composition of their annual report outlining the principles of CGR, which are not complied with accompanied by an 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.

One of the priorities of AS Premia Foods during the financial year ended on 31 December 2011 was the improvement of the quality of the management of the company and the investor relations thereof. The compliance with the CGR was also focused on. In the opinion of the management of AS Premia Foods a remarkable development was achieved in respect of improving the quality of the management of the company and the investor relations thereof. NASDAQ OMX Baltic Market Awards awarded AS Premia Foods with the award in the category of the most visible improver in the investor relations, which confirms adequacy of the above-referred opinion of the management. In its webpage NASDAQ OMX Tallinn Stock Exchange has described the nature of the award as follows - the Baltic Market Awards was introduced in 2006. The purpose of the international Baltic Market Awards project is to highlight the best investor relations in financial and non-financial reporting and improve the overall standard of investor relations among listed companies, as well as provide them with individual evaluation and consultancy from stock exchange side. Each company is evaluated according to more than 120 criteria, including quality of the annual and periodical reports, disclosures, web page and analysts' opinions.

General Meeting

General Remarks

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

The ordinary General Meeting of shareholders is convened by the Management Board once a year within 6 months from the end of financial year. The extraordinary General Meeting of shareholders 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 20% of the public 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.

The notice on convening the ordinary General Meeting of shareholders must be published at least 3 weeks before the meeting is held. In respect of public companies, the same term applies in respect of extraordinary General Meetings of shareholders.

The competence of the General Meeting of shareholders is defined by law and the Articles of Association.

The General Meeting of shareholders is authorised to adopt resolutions if more than half votes represented by the total number shares attend the meeting, provided that the Articles of Association or applicable law do not stipulate a higher quorum requirement.

A resolution is adopted if more than half of the votes represented at the meeting votes in favour of the resolution, provided that the Articles of Association or applicable law do not stipulate a higher majority requirement.

General Meetings of AS Premia Foods

During the financial year ended on 31 December 2011 there were two General Meetings of shareholders held by AS Premia Foods.

In addition to the ordinary General Meeting of shareholders held on 31 May 2011, there was also one extraordinary General Meeting of shareholders held on 22 March 2011, the agenda of which included the following items – (i) appointment of an auditor; (ii) amendments to the Articles of Association for converting the share capital into euro and for amending the terms of the right to increase the share capital granted to the Supervisory Board in order to implement the management and key employees' option plan; (iii) conversion of the share capital into euro and decrease of the share capital; (iv) the merger of AS Premia Foods with the company OÜ TCS Invest belonging to the same group of companies with AS Premia Foods.

Altogether 15 shareholders attended the extraordinary General Meeting of shareholders, the shares of which represented altogether 26,504,994 votes, which in turn represented 68.52% of the entire share capital. Hence the meeting was authorised to adopt resolutions in respect of all the items in the agenda. In respect of all the items in the agenda the resolutions were adopted in accordance with the proposals made by the Supervisory Board. The information on adopting the resolutions of the content of the resolutions adopted was published after the end of the meeting via the information system of the NSADQ OMX Tallinn Stock Exchange without delay.

The ordinary General Meeting of shareholders of AS Premia Foods was held on 31 May 2011 and the agenda of the meeting was the following – (i) approving the annual report for the financial year ended on 31 December 2010; (ii) resolving the distribution of profit; (iii) appointing auditor for the financial year 2011 and resolving remuneration payable to the auditor; (iv) remunerating the members of Supervisory Board; (v) approving the terms of stock options granted to the members of the Supervisory Board.

Altogether 18 shareholders attended the ordinary General Meeting of shareholders, the shares of which represented altogether 26,252,382 votes, which represented 67.87% of the entire share capital. Hence the ordinary General Meeting of shareholders was authorised to adopt resolutions in respect of all the items in the agenda of the ordinary General Meeting of shareholders. In respect of all the items in the agenda the resolutions were adopted in accordance with the proposals made by the Supervisory Board. The information on adopting the resolutions of the content of the resolutions adopted was published after the end of the meeting via the information system of the NSADQ OMX Tallinn Stock Exchange without delay.

Both of the above-described General Meetings of shareholders were convened duly and timely. The notices on convening the General Meetings of shareholders were published in accordance with applicable law and the requirements of the Rules of the NASDAQ OMX Tallinn Stock Exchange in one daily newspaper, on the webpage of AS Premia Foods and via the information system of the NASDAQ OMX Tallinn Stock Exchange.

All materials containing information on the items in the agendas of the General Meetings of shareholders were made available to all the shareholders before the meetings in electronic format, at the same time all the shareholders were provided with an opportunity to examine the materials of the General Meeting of shareholders at the location of AS Premia Foods.

The notices of convening the General Meetings of shareholders contain, among other information, an overview of the rights of the shareholders to ask questions and to get additional information along with the contact details for exercising those rights.

Both General Meetings of shareholders were conducted in the manner enabling all the shareholders to participate at the meetings, ask questions and make proposals. The shareholders were provided with an opportunity to make speeches.

According to the opinion of the management, AS Premia Foods has duly complied with all the requirements arising from law, the Rules of the NASDAQ OMX Tallinn Stock Exchange and CGR aiming to ensure that all the shareholders of AS Premia Foods were enabled to get information in respect of the issues placed into the competence of the General Meeting of shareholders, to attend the General Meetings of shareholders and vote at the meetings. The General Meetings were conducted in a timely and efficient manner. The language of the General Meetings of shareholders was Estonian. The distribution of profit was resolved as a separate issue as required by Section 1.3.4 of CGR.

During the financial year ended on 31 December 2011, AS Premia Foods did not comply with the requirements set forth in Sections 1.3.2 and 1.3.3 of CGR in the full extent.

Pursuant to Section 1.3.2 of CGR, the General Meetings of shareholders are attended by the members of the Management Board, the Chairman of the Supervisory Board, if possible also members of the Supervisory Board and at least one of the auditors of the company. The Supervisory Board of AS Premia Foods is broad-based and international and mainly due to the hectic working schedule of the members of the Supervisory Board were all the members of the Supervisory Board not able to attend the General Meetings. The Chairman of the Supervisory Board Indrek Kasela attended both of the meetings as the representative of the Supervisory Board.

In the opinion of the management of AS Premia Foods, the failure to attend the General Meetings by the members of the Supervisory Board and the auditor has no adverse effect on the interests of the shareholders as prior to the meetings the Supervisory Board had provided the shareholders with its proposals in respect of each item in the agenda of the General Meetings and all the shareholders were granted the opportunity to get additional information in respect of the items in the agendas of the meetings prior to the meetings. None of the shareholders took advantage of those rights, which is an evidence of the fact that the shareholders deemed the information and materials made available to them before the meetings to be sufficient and that there was no need for additional information.

According 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 cost intensive. It was not possible to attend the General Meetings of AS Premia Foods via electronic devices for two main reasons – first of all, AS Premia Foods has not used the opportunity to conduct the General Meetings also in an electronic format, secondly, AS Premia Foods lacks the adequate technical equipment, which would enable to conduct a reliable personal identification of shareholders, transfer of the General Meetings without technical errors and electronic voting. However, none of the shareholders of AS Premia Foods has ever been interested on the possibility to attend the General Meeting of shareholders in an electronic format. The Management Board of AS Premia Foods will analyse the demand on enabling the shareholders to attend the General Meetings of shareholders via electronic devices and if in the opinion of the Management Board there is indeed interest and demand for such possibility and if creating such possibility is not too cost intensive, the Management Board will consider creating a possibility to attend the General Meetings of shareholders via electronic devices.

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 of shareholders 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: Indrek Kasela (since incorporation), Lauri Kustaa Äimä (since incorporation), Erik Haavamäe (since incorporation), Aavo Kokk (elected on 5 May 2009), Harvey Sawikin (elected on 5 May 2009) and 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 Lauri Kustaa Äimä, Indrek Kasela, and Erik Haavamäe on 8 December 2013, Aavo Kokk and Harvey Sawikin on 5 May 2014 and Jaakko Karo on 17 August 2014.

The Chairman of the Supervisory Board is Indrek Kasela.

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 and Vettel OÜ. 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 master's degree in Economics from the University of Helsinki 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 board of directors 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, and AS Premia FFL. He is a member of the Supervisory Board of AS Toode, MTÜ Eesti Maleliit 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.

The ordinary General Meeting of shareholders held in 31 May 2011 resolved, among other resolutions, to remunerate the work of the members of the Supervisory Board in the gross amount of 500 euro per calendar month. The total gross amount of remuneration paid to the members of the Supervisory Board in 2011 was 17 thousand euro. In addition to the above-referred remuneration all the members of the Supervisory Board were reimbursed for their actual and justified costs related to the performing their working assignments.

In accordance with law and the Articles of Association of AS Premia Foods, the meetings of the Supervisory Board are held as frequently as necessary but in any case not less frequently than once in the calendar quarter. In 2011, the Supervisory Board held 4 meetings. In addition to the meetings, the Supervisory Board adopted resolutions without convening a meeting if it was necessary. The Management Board informed the Supervisory Board on a regular basis of the operations and financial status of AS Premia Foods and the Supervisory Board provided the Management Board with necessary directions and provided the Management Board with support in conducting the everyday business activities of the company.

The members of the Supervisory Board of AS Premia Foods are elected in accordance with the principles of CGR and comply with the requirements applicable in respect of them. All the members of the Supervisory Board perform their duties arising from law and CGR with due care.

The co-operation and information exchange between the members of the Management Board and the Supervisory Board complies with the requirements of CGR. The Management Board of AS Premia Foods in not aware of any conflict of interests between the interests of the members of the Supervisory Board and the company.

According to Section 3.2.2 of CGR, at least half of the members of the Supervisory Board of an issuer are independent. The Supervisory Board of AS Premia Foods includes two independent members – Aavo Kokk and Vesa Jaakko Karo. Hence AS Premia Foods is not complying with the requirements of Section 3.2.2 of CGR in the full extent. In order to comply with these requirements in the full extent, the management of AS Premia Foods is considering making the General Meeting of shareholders a proposal for electing an additional independent member of the Supervisory Board.

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.

Management Board of AS Premia Foods

Currently the members of the Management Board of AS Premia Foods are Kuldar Leis (since incorporation, Chairman of the Management Board), Katre Kõvask (elected on 9 June 2009) and Silver Kaur (elected on 9 June 2009) conduct the everyday business activities of AS Premia Foods. The authorities of the members of the Management Board were extended with the respective resolution of the Supervisory Board, dated 21 February 2012. Hence the authorities of the members of the Management Board expire as follows: for Kuldar Leis on 8 December 2014, for Katre Kõvask and Silver Kaur on 8 June 2015.

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" and SIA "F.F.L.S", and as a member of Supervisory Board of Saaremere Kala AS, Vettel OU, OOO Khladokombinat No 1, 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 the Association of the Estonian Food Industry and member of the Management Board of Rododendron OU and OÜ Solarhouse.

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.

All the members of the Management Board of AS Premia Foods have fully complied with their obligations arising from law and CGR. The Management Board has always acted and is currently acting in the best interests of the company (and its shareholders).

For ensuring the efficiency of the Management Board's work the areas of responsibility have been clearly divided between the members of the Management Board – Kuldar Leis is the Chairman of the Management Board and is responsible for arranging the everyday management of AS Premia Foods, Katre Kõvask is the head of marketing and product development of AS Premia Foods and the member of the Management Board responsible for the public and investor relations in all target markets of AS Premia Foods, the areas of responsibility of Silver Kaur are the management of sales activities in all the target markets of AS Premia Foods.

The Management Board has established inside rules for ensuring the confidentiality of undisclosed inside 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 all 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. In 2011, there were no transactions between a member of the Management Board and a person related to the latter, which would have been subject to the consent of the Supervisory Board.

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 webpage of the company (Section 2.2.7 of CGR). AS Premia Foods is of the opinion that such disclosure may impair the rights and interests of the members of the Management Board and the company itself. In 2011, the gross amount of remuneration paid to the members of the Management Board was 256 thousand euro. Further, breakdown of all amounts paid to the members of the managing bodies is indicated in the Note 32 of the consolidated annual report of the company.

In the frames of the management and key employee option plan as approved by the Supervisory Board and the General Meeting of shareholders of AS Premia Foods, there were option agreements executed with the members of the Management Board, the terms and conditions of which were disclosed to public in accordance with the applicable requirements.

Auditing Committee

According to the Auditing Activities Act, AS Premia Foods as a public company is under obligation to have an Auditing Committee. The Auditing Committee is an advisory 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 Aavo Kokk as the Chairman of the Auditing Committee and Mairi Paiste as the member of the Auditing Committee.

In 2011, the Auditing Committee has been acting operatively and efficiently and has advised the Management Board and the Supervisory Board in respect of accounting, auditing, risk management, internal auditing, general supervision and budgeting in accordance with the actual necessity.

In 2011, the total gross amount paid as remunerations to the members of the Auditing Committee amounted to 4 thousand euro.

Disclosure of Information

AS Premia Foods follows the CGR rules on publication of information and treats the all shareholders equally.

Information is published on webpage of the NASDAQ OMX Tallinn Stock Exchange and the webpage 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 webpage (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

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 3-30 is the integral part of the consolidated annual report of AS Premia Foods.

The Management Board confirms that according to their best knowledge, the financial statements, prepared in accordance with the accounting standards in force, give a true and fair view of the assets, liabilities, financial position and profit or loss of AS Premia Foods and the group entities involved in the consolidation as a whole, and the management report gives a true and fair view of the development and results of the business activities and financial position of AS Premia Foods and the group entities involved in the consolidation as a whole and contains a description of the main risks and doubts.

Chairman of the Management Board	Kuldar Leis	....	April 9, 2012
Member of the Management Board	Silver Kaur	....	April 9, 2012
Member of the Management Board	Katre Kõvask	....	April 9, 2012

in thousands of euros

Consolidated financial statements

Consolidated statement of financial position

as at 31 December	31.12.2011 EUR '000	31.12.2010 EUR '000	Note
Cash and cash equivalents	712	722	(Note 5)
Receivables and prepayments	7,150	9,970	(Note 6)
Inventories	9,174	8,550	(Note 7)
Biological assets	8,179	8,361	(Note 8)
Non-current assets held for sale	9	10	
Total current assets	**25,224**	**27,613**	
Deferred income tax assets	435	499	(Note 10)
Long-term financial investments	89	93	(Note 11)
Investment property	2,084	2,084	(Note 12)
Property, plant and equipment	13,271	15,087	(Note 13)
Intangible assets	23,015	23,568	(Note 14)
Total non-current assets	**38,894**	**41,331**	
TOTAL ASSETS	**64,118**	**68,944**	
Borrowings	2,793	2,444	(Note 17)
Factoring	236	2,762	(Note 3)
Payables and prepayments	8,465	9,559	(Note 18)
Total current liabilities	**11,494**	**14,765**	
Borrowings	9,170	9,486	(Note 17)
Deferred income tax liabilities	1,278	1,642	(Note 10)
Government grants	1,668	1,679	(Note 19)
Total non-current liabilities	**12,116**	**12,807**	
Total liabilities	**23,610**	**27,572**	
Share capital	23,210	24,723	
Share premium	16,026	14,513	
Treasury shares	- 30	- 30	
Other reserves	21	0	
Currency translation differences	391	335	
Retained earnings	890	1,831	
Equity attributable to equity holders of the parent	**40,508**	**41,372**	
Total equity	**40,508**	**41,372**	(Note 20)
TOTAL LIABILITIES AND EQUITY	**64,118**	**68,944**	

The notes on pages 36 to 71 are an integral part of these consolidated financial statements.

in thousands of euros

Consolidated statement of comprehensive income

For the year ended 31 December	2011 EUR '000	2010 EUR '000	Note
Revenue	88,290	77,278	(Note 21)
Cost of goods sold	- 65,362	- 58,608	(Note 22)
Gross profit	**22,928**	**18,670**	
Sales and marketing expenses	- 18,123	- 15,139	(Note 23)
General and administrative expenses	- 4,660	- 3,994	(Note 24)
Other income and expenses, net	485	2,510	(Note 27)
Revaluation of biological assets	-459	1,022	(Note 8)
Operating profit	**171**	**3,069**	
Finance income	9	95	(Note 28)
Finance costs	- 878	- 1,473	(Note 28)
Profit / loss before income tax	**- 698**	**1,691**	
Corporate income tax	144	- 389	(Note 29)
Net profit / loss for financial year	**- 554**	**1,302**	
Other comprehensive income			
Currency translation differences	56	245	
Other comprehensive income	**56**	**245**	
Total comprehensive income / expense	**- 498**	**1,547**	
Net profit / loss for the financial year:			
Attributable to equity holders of the parent	- 554	1,288	(Note 30)
Attributable to non-controlling interest	0	14	
Net profit / loss for the financial year	**- 554**	**1,302**	
Comprehensive income / expense for the financial year:			
Attributable to equity holders of the parent	- 498	1,533	
Attributable to non-controlling interest	0	14	
Total comprehensive income / expense	**- 498**	**1,547**	
Earnings per share			
Basic earnings per share (EUR)	- 0.01	0.05	(Note 30)
Diluted earnings per share (EUR)	- 0.01	0.05	(Note 30)

The notes on pages 36 to 71 are an integral part of these consolidated financial statements.

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PricewaterhouseCoopers, Tallinn

in thousands of euros

Consolidated cash flow statement

	2011 EUR '000	2010 EUR '000	Note
Cash flows from operating activities			
Net profit / loss	**-554**	**1,302**	
Adjustments:			
Depreciation and amortisation	3,965	4,018	(Note 26)
Gain/loss on disposal of non-current assets	73	-62	(Note 27)
Other non-monetary changes	302	-1,859	
Changes in receivables and prepayments	2,848	455	(Note 6)
Changes in inventories	-624	-743	(Note 7)
Changes in biological assets	182	-2,133	(Note 8)
Changes in payables and prepayments	-1,210	1,376	(Note 18
Government grants for operating expenses	4	38	(Note 19)
Corporate income tax paid	-119	-138	
Net cash generated from operating activities	**4,867**	**2,254**	
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets	193	206	
Acquisition of property, plant and equipment and intangible assets	-1,347	-2,004	(Note 13, 14)
Government grants for acquisition of assets	340	322	(Note 19)
Purchases and sales of other financial investments	-1	17	
Net cash flow from acquisition of subsidiaries	0	-2,988	
Acquisition of associate	0	-13	
Loans granted	0	-3	
Repayments of loans granted	9	10	
Interest received	4	9	
Gains from financial investments	0	1	
Net cash used in investing activities	**-801**	**-4,443**	
Cash flows from financing activities			
Acquisition of non-controlling interest in subsidiaries	-38	-478	(Note 20)
Change in overdraft facility	636	-2,288	(Note 17)
Repayments of borrowings	-2,002	-14,241	(Note 17)
Borrowings	1,608	8,432	(Note 17)
Change in factoring liability	-2,526	29	
Payments of finance lease principal	-752	-868	(Note 15)
Issue of shares	0	12,210	(Note 20)
Dividends paid	-387	0	
Interest paid	-646	-1,127	
Net cash used in/generated from financing activities	**-4,107**	**1,669**	
NET CASH FLOWS:	**-41**	**-520**	
Net changein cash and cash equivalents			
Cash and cash equivalents at beginning of the year	**722**	**1,254**	
Net changein cash and cash equivalents	-41	-520	
Effect of exchange rate changes	31	-12	
Cash and cash equivalents at end of the year	**712**	**722**	(Note 5)

The notes on pages 36 to 71 are an integral part of these consolidated financial statements.

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in thousands of euros

Consolidated statement of changes in equity

EUR '000

	Equity attributable to equity holders of the company								
	Share capital	Share premium	Treasury shares	Other reserves	Currency translation differences	Retained earnings	**Total**	Non-controlling interest	**Total equity**
Balance at 31.12.09	**1,546**	**25,481**	**-255**	**0**	**90**	**639**	**27,501**	**244**	**27,745**
Bonus issue	13,910	-13,910	0	0	0	0	**0**	0	**0**
Initial public offering	9,267	2,942	0	0	0	0	**12,210**	0	**12,210**
Acquisition of non-controlling interest	0	0	225	0	0	-97	**128**	-258	**-130**
Transactions with owners	**23,177**	**-10,968**	**225**	**0**	**0**	**-97**	**12,338**	**-258**	**12,080**
Net profit for the financial year	0	0	0	0	0	1,288	**1,288**	14	**1,302**
Other comprehensive income	0	0	0	0	245	0	**245**	0	**245**
Total comprehensive income	**0**	**0**	**0**	**0**	**245**	**1,288**	**1,533**	**14**	**1,547**
Balance at 31.12.10	**24,723**	**14,513**	**-30**	**0**	**335**	**1,831**	**41,372**	**0**	**41,372**
Share option programme	0	0	0	21	0	0	**21**	0	**21**
Reduction of nominal value of the share	-1,513	1,513	0	0	0	0	**0**	0	**0**
Dividends	0	0	0	0	0	-387	**-387**	0	**-387**
Transactions with owners	**-1,513**	**1,513**	**0**	**21**	**0**	**-387**	**-366**	**0**	**-366**
Net loss for the financial year	0	0	0	0	0	-554	**-554**	0	**-554**
Other comprehensive income	0	0	0	0	56	0	**56**	0	**56**
Total comprehensive expense	**0**	**0**	**0**	**0**	**56**	**-554**	**-498**	**0**	**-498**
Balance at 31.12.11	**23,210**	**16,026**	**-30**	**21**	**391**	**890**	**40,508**	**0**	**40,508**

The notes on pages 36 to 71 are an integral part of these consolidated financial statements.

Additional information about equity is disclosed in Note 20.

Note 1 General information

Premia Foods AS (hereinafter "the Parent Company") and its subsidiaries (hereinafter jointly referred to as "the Group") are entities involved in production and wholesale of fish and fish products, production and wholesale of ice cream and wholesale of frozen goods products. Premia Foods AS was registered in the Republic of Estonia at 23 December 2008 (registered address: Betooni 4, Tallinn). The shares of Premia Foods AS are listed on the Tallinn Stock Exchange and its largest shareholder is Amber Trust II S.C.A (see Note 20). These consolidated financial statements have been authorised for issue by the Management Board at 9 April 2012. Pursuant to the Accounting Act of the Republic of Estonia, the Parent Company's Supervisory Board shall approve the annual report and the General Meeting of Shareholders shall authorise it for issue.

Note 2 Accounting policies adopted in the preparation of the consolidated financial statements

Basis of preparation

The consolidated financial statements of Premia Foods AS have been prepared in accordance with International Financial Reporting Standards , as adopted by the European Union (IFRS).

The consolidated financial statements have been prepared under the historical cost convention, except for biological assets, investment properties and available-for-sale financial assets which are carried at fair value.

The functional currency of Premia Foods AS and presentation currency of the consolidated financial statements is the euro (EUR). All amounts presented in the financial statements have been rounded to the nearest thousand, unless stated otherwise.

The consolidated financial statements have been prepared using the accounting policies below which have consistently been applied to all periods presented in the financial statements, unless stated otherwise.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Changes in accounting policies and disclosures

At 1 January 2011, the Republic of Estonia joined the euro area and adopted the euro as its national currency, replacing the Estonian kroon. Consequently, the functional currency of the Premia Foods AS is the euro from 1 January 2011. The change in the functional currency was accounted for prospectively. As at 1 January 2011, the Parent Company and its subsidiaries located in Estonia have translated their account balances into euros using the conversion rate of EUR 1 = EEK 15.6466.

The consolidated financial statements for the year 2011 are presented in euros. In the financial statements, the comparative information has been translated from the Estonian kroons into euros using the conversion rate of EUR 1 = EEK 15.6466. As this exchange rate was also the fixed exchange rate prevailing in previous periods, no currency translation differences arose.

A few items have been reclassified in the cash flow statement and the comparative information has been brought into compliance with the new presentation. Reclassifications had no impact on the opening balance sheet of the comparative period.

Application of new or amended standards and interpretations

New or amended standards and interpretations which became mandatory for the Group from 1 January 2011 are not expected to have a material impact on the Group.

New or amended standards and interpretations

- New standards, amendments and interpretations issued but not effective for the financial year and not early adopted:

IFRS 12, *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard applies to entities that have interests in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It will replace the disclosure requirements currently found in IAS 28 *Investments in Associates*. IFRS 12 requires entities to disclose information that will help the readers of financial statements to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including (i) significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, (ii) extended disclosures on share of non-controlling interests in group activities and cash flows, (iii) summarised financial information of subsidiaries with material non-controlling interests, and (iv) detailed disclosures of interests in unconsolidated structured entities. The Group is currently assessing the impact of the standard on its financial statements.

IFRS 13, *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard aims to harmonise and reduce complexity, therefore, the standard contains an revised definition of fair value, bases of fair value measurement and disclosure requirements which are used throughout IFRSs. The Group is currently assessing the impact of the standard on its financial statements.

Presentation of Items of Other Comprehensive Income – amendments to IAS 1 (effective for annual periods beginning on or after 1 July 2012; not yet adopted by the EU). The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Group expects the amended standard to change the presentation of its financial statements, but not to have an impact on measurement of transactions and balances.There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Group's financial statements.

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.

Foreign currency translation

Functional and presentation currency

The financial statements of each group entity have been prepared using the currency of the primary economic environment in which the entity operates (functional currency), i.e. the local currency. The functional currency of the Parent Company and its subsidiaries registered in Estonia is the euro. The consolidated financial statements have been prepared in euros.

Accounting for foreign currency transactions

All currencies other than the functional currency (the functional currency of the Parent Company and its Estonian subsidiaries is the euro (until 31 December 2010, the Estonian kroon)) are considered as foreign currencies. Foreign currency transactions are translated into the functional currency using the foreign exchange rates of the European Central Bank or a central bank of the respective country prevailing at the transaction dates. Monetary assets and liabilities denominated in a foreign currency (receivables and loans payable in cash) are translated into the functional currency based on the foreign currency exchange rates of the central bank prevailing at the balance sheet date. Foreign exchange gains and losses resulting from translation are recorded in the income statement of the reporting period. Non-monetary assets and liabilities denominated in a foreign currency that are measured at fair value (investment property measured at fair value; biological assets; short and long-term financial investments into shares and other equity instruments whose fair value can be determined reliably) are translated into the functional currency using the official exchange rates of the central bank prevailing at the date of determining fair value. Non-monetary assets and liabilities denominated in a foreign currency that are not measured at fair value (e.g. prepayments, inventories accounted for using the cost method; property, plant and equipment as well as intangible assets) are not translated at the balance sheet date but continue to be reported using the official exchange rate of the central bank prevailing at the transaction date.

Financial statements of foreign business units

When the subsidiary's functional currency differs from that of the Parent Company (e.g. Latvian lats for entities operating in Latvia), the financial statements of subsidiaries prepared in a foreign currency are translated into the presentation currency using the following principles:

- The assets and liabilities of all foreign subsidiaries are translated using the official exchange rate of the European Central Bank (until 31 December 2010, Bank of Estonia) prevailing at the balance sheet date;
- Income and expenses of subsidiaries are translated using the annual average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at transaction dates, in which case income and expenses are translated at transaction dates).

All exchange differences resulting from translation are recognised in other comprehensive income and accumulated in the equity as "Currency translation differences". On the disposal of a foreign subsidiary, the amounts presented in the equity item "Currency translation differences" related to that foreign subsidiary are recognised as a profit or loss for the financial year.

Consolidation

Subsidiaries

A subsidiary is an entity controlled by the parent company. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than 50% of the voting power of the subsidiary or otherwise has power to govern its operating and financial policies. Subsidiaries are consolidated from the date of their acquisition (acquisition of control) until the date of disposal (loss of control).

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred by the acquirer and the equity instruments issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are initially measured at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this consideration is less than the fair value of the net assets of the subsidiary acquired in case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

In the consolidated financial statements, the financial information of all subsidiaries under the control of the parent company has been combined line by line. Intragroup receivables, liabilities, income and expenses and the resulting unrealised profits and losses have been eliminated in full in the consolidated financial statements. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Associates

An associate is an entity over which the Group has significant influence, but which it does not control. Significant influence is generally presumed to exist when the Group holds between 20% and 50% of the voting power of the investee.

In the consolidated financial statements, investments in associates are accounted for using the equity method; under this method, the original investment is adjusted for the investor's interest in the associate's statement of comprehensive income and dividends received.

Unrealised gains on transactions between the company and its subsidiaries and associates are eliminated to the extent of the investor'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 under the equity method equals or exceeds its interest in the associate, the investment is reported at nil value and further losses are recognised as off-balance-sheet items. Where necessary, the accounting policies of associates have been changed to ensure consistency with the policies adopted by the Group.

Information about Parent Company's separate primary financial statements

According to the Accounting Act of Estonia, the notes to the consolidated financial statements shall include disclosures on the separate primary financial statements of the consolidating entity (Parent Company). The primary financial statements of the Parent Company, which are disclosed in Note 34, have been prepared using the same accounting policies and measurement bases as used in preparing the consolidated financial statements. Investments in subsidiaries and associates are carried at cost in the separate primary financial statements. Under the cost method, the investment is initially recognised at cost, i.e. at the fair value of the consideration paid at acquisition and it is subsequently adjusted to account for impairment losses.

Segment reporting

Reportable business segments have been identified based on the reports submitted regularly to the Group's chief operating decision maker.The Group's chief operating decision maker,responsible for allocation of resources and evaluation of the results of business segments is the Management Board of the Parent Company that makes strategic decisions.

Cash and cash equivalents

For the purposes of the statement of financial position and the cash flow statement, cash and cash equivalents include cash on hand, bank account balances (other than overdraft) and term deposits with maturities of 3 months of less. Overdraft is included within short-term borrowings in the statement of financial position.

Financial assets

The Group's financial assets have been classified in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at their initial recognition.

(a) Loans and receivables are initially recognised at cost which is the fair value of the consideration paid for the financial asset. The original cost also includes all transaction costs attributable to the financial asset. After initial recognition, the Group carries loans and receivables at amortised cost (less any impairment losses), calculating interest income on the receivable in the subsequent periods using the effective interest rate method. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included within current assets except for maturities greater than 12 months after the balance sheet date. Such assets are classified as non-current assets.

(b) Available-for-sale financial assets are non-derivative financial assets, which have been designated as held for sale or have not been classified in any other category. Available-for-sale financial assets are carried as non-current financial investments except when the financial asset expires or the Group intends to sell it during 12 months after the end of the reporting period. Available-for-sale financial assets are initially recognised at fair value, including transaction costs. Available-for-sale financial assets are subsequently carried at fair value; gains and losses arising from changes in fair value of available-for-sale financial assets are included in other comprehensive income. If the fair value of a financial asset cannot be measured reliably, they are measured at cost less any impairment losses.

At each balance sheet date, an assessment is made whether there are any impairment indicators for an asset.

An allowance for impairment losses is recognised whenever there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Such circumstances may include significant financial difficulties of the debtor, bankruptcy or default or delinquency in payments. The amount of the allowance is the difference between the asset's carrying amount and the present value of expected future cash flows, discounted at the effective interest rate of the receivable.

If any such evidence exists, impairment losses are determined as follows:

(a) Financial assets carried at amortised cost (e.g. receivables) are written down to the present value of estimated future cash flows (discounted at the financial asset's original effective interest rate);

(b) Financial assets carried at cost (shares and other equity instruments, the fair value of which cannot be reliably determined) are written down to the present value of estimated future cash flows (discounted at the current market rate of return for similar financial assets);

(c) Financial assets carried at fair value are written down to their fair value.

Write-downs of assets are recognised as expenses in the income statement. For financial assets carried at fair value, with fair value changes recognised in other comprehensive income, whenever there is any evidence of impairment, the cumulative loss that had been accumulated in equity is removed from equity and recognised in profit or loss.

Reversals of impairment losses:

(a) If, in a subsequent period, the amount of the impairment loss of assets carried at amortised cost decreases, the previously recognised impairment loss shall be reversed to the amount which is the lower of (1) present value of estimated cash flows from the financial asset and (2) carrying amount using the amortised cost method had the impairment loss not been recognised. The amount of the reversal shall be recognised in profit or loss.

(b) Impairment losses for financial assets carried at cost because their fair value cannot be measured reliably shall not be reversed.

(c) Reversals of impairment losses for financial assets that are carried at fair value, with fair value changes recognised in other comprehensive income are recorded as follows: upon the reversal of the impairment loss of shares and other equity instruments, the increase in value is recognised in the revaluation reserve in equity.

Financial assets are derecognised when future cash flows from the financial assets are no longer expected to be received by the Company or when it transfers the cash flows attributable to the asset as well as most of the risks and rewards of the financial asset to a third party.

Purchases and sales of financial assets are consistently recognised at the trade date (i.e. at the date when the Group commits (e.g. enters into a contract) to buy or sell a certain financial asset.

Factoring

Factoring is the sale of receivables, whereby depending on the type of the factoring contract the buyer has the right to resell the transferred receivable within time agreed (factoring with recourse) or there is no right for resale and all the risks and benefits associated with the receivable are transferred from seller to purchaser (factoring without recourse).

If the seller of the receivable retains the repurchase obligation, the transaction is recognised as a financing transaction (i.e. as a loan with the receivable as a collateral) and not as a sale. The receivable is not considered as sold as a result of factoring, but it remains in the balance sheet until the receivable is collected or the recourse right has expired. The related liability is recorded similarly to other borrowings.

If there is no repurchase obligation and the control over the receivable and the related risks and rewards of the ownership are transferred to the buyer, the transaction is recognised as a sale of the receivable. The related expense is recognised as a finance cost (similarly to interest expense) or as an impairment loss of receivables, depending on whether the purpose of the transaction was to manage the cash flows or to manage credit risk.

Inventories

Inventories are initially recognised at their cost, which consists of the purchase costs, direct and indirect production costs, transportation and other costs incurred in bringing the inventories to their present location and condition.

Purchase costs include the purchase price, customs duties and other non-refundable taxes and direct transportation costs related to the purchase, less discounts and subsidies. The production costs of inventories include costs directly related to the production (such as direct materials and packing material costs, unavoidable storage costs related to work in progress, direct labour), and also a systematic allocation of fixed and variable production overheads (such as depreciation and maintenance of factory buildings and equipment, overhaul costs, and the labour cost of factory management).

The weighted average method is used to account for the cost of inventories. Inventories are measured in the statement of financial position at the lower of acquisition/production cost and net realisable value. The net realisable value is the estimated selling price of inventories in the ordinary course of business less applicable variable selling expenses.

Investment property

The property (land or a building) that the Group (either as an owner or leased under the finance lease terms) holds for earning rental income or for capital appreciation, rather than for use in its own economic activities, is recorded as investment property. Investment property is initially recognised in the statement of financial position at cost, including any directly attributable expenditure (e.g. notary fees, property transfer taxes, professional fees for legal services, and other transaction costs without which the transaction would not have taken place). Investment property is subsequently carried at fair value which is based on the market value determined annually by independent appraisers, using the prices of transactions involving similar properties (adjusting the estimates to reflect any differences) or using the discounted cash flow method. Fair value adjustments are included in the statement of comprehensive income line "Other income and other expenses". Depreciation is not calculated for investment properties carried at fair value.

Investment properties, for which the fair value cannot be determined reliably, are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Investment property is derecognised from the statement of financial position upon its disposal or when the asset is withdrawn from use and no future economic benefits are expected from the asset. Gains or losses from derecognition of investment properties are included within other income or other expenses in the statement of comprehensive income of the period when derecognition occurs.

When the purpose of use of investment property changes, the asset is reclassified in the statement of financial position. From the date of the change, the accounting policies of the group into which the asset has been transferred are applied to the asset.

Property, plant and equipment

Property, plant and equipment are assets used in the operations of the Group with the useful life of over one year.

An item of property, plant and equipment is initially recognised at its cost which consists of the purchase price (incl. customs duties and other non–refundable taxes) and other expenditures directly related to the acquisition that are necessary for bringing the asset to its operating condition and location. Items of property, plant and equipment are carried in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses. Items of property, plant and equipment leased under the finance lease terms are accounted for similarly to purchased property, plant and equipment.

Subsequent expenditure incurred for items of property, plant and equipment are recognised as non-current assets when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Other repair and maintenance costs are recognised as expenses when incurred.

The straight line method is used for determining depreciation. The depreciation rates are set separately for each item of property, plant and equipment depending on its useful life. For assets with significant residual value, only the depreciable amount, i.e. difference between cost and residual value is depreciated over the useful life of the asset.

If an item of property, plant and equipment consists of separately identifiable components with different useful lives, these components are accounted for as separate assets and accordingly, separate depreciation rates are set for them depending on their useful lives.

The following useful lives have been set for the items of property, plant and equipment:

Buildings	5-50 years
Machinery and equipment	2-20 years
Motor vehicles	4-13 years
Fixtures, fittings and tools	
Fittings and tools	2-12 years
IT equipment and software	3-5 years
Fixtures	5 years

Items with unlimited useful lives (land) are not depreciated.

Depreciation of an asset begins when the asset is available for use for the purpose intended by management and is ceased when the residual value exceeds the carrying amount, when the asset is permanently withdrawn from use or is reclassified as held for sale. At each balance sheet date, the validity of applied depreciation rates, the depreciation method and the residual values applicable to assets is assessed.

Where an asset's recoverable amount (higher of an asset's fair value less costs to sell and value in use) is less than its carrying amount, it is written down immediately to its recoverable amount.

Borrowing costs (interests) attributable to the construction of property, plant and equipment are added to the cost of the assets during the period that is required to complete and prepare the asset for its intended use.

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition of items of property, plant and equipment are included either within other income or other expenses in the income statement.

Items of property, plant and equipment that are expected to be sold within the next 12 months are reclassified as non-current assets held for sale.

Intangible assets

Intangible assets (client contracts, trademarks, connection fees, patents, licenses, software) are recognised in the statement of financial position when the asset is controlled by the Group, future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. An acquired intangible asset is initially recognised at cost, comprising its purchase price and any expenditures directly attributable to the acquisition. Intangible assets are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. Goodwill is carried at its acquisition cost less any impairment losses.

Intangible assets are divided into assets with finite useful lives and assets with indefinite useful lives.

Intangible assets with indefinite useful lives (goodwill) are not amortised, but they are tested for impairment at least once a year (or more frequently if an event or change in circumstances indicates that goodwill may be impaired); and if their recoverable amount is below carrying amount , the asset is written down to its recoverable amount.

Intangible assets with finite useful lives are amortised using the straight-line method, over the asset's estimated useful life. The appropriateness of the amortisation periods and method is assessed at each balance sheet date. The following useful lives have been determined for intangible assets:

Client contracts	5 years
Trademarks	20-25 years
Permits and connection fees	3-50 years
Software licenses	5 years

The useful lives of client contracts and trademarks have been determined on the basis of management estimates of the expected length of the cash generating period by these assets. The duration of usage rights of assets is used as the basis for determining the useful lives of permits (fish farming and slaughter permits) and connection fees as well as software licenses.

Intangible assets with finite useful lives are tested for impairment whenever there is any indication of impairment.

Non-current assets held for sale

Non-current assets held for sale include items of property, plant and equipment or intangible assets which are intended to be sold within the next 12 months and with regard to which management has initiated an active sales programme and the assets are marketed for sale at a price that is reasonable in relation to their current fair value.

Non-current assets held for sale are presented in the balance sheet within current assets and their depreciation is ceased upon reclassification. Non-current assets held for sale are recognised at the lower of the carrying amount and fair value less costs to sell.

Impairment of assets

Intangible assets with indefinite useful lives (including goodwill) are not subject to amortisation but they are tested annually for impairment, by comparing their carrying amounts with their recoverable amount. Items of property, plant and equipment with unlimited useful lives (land) and assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In the event of such circumstances, the recoverable amount of the asset is assessed and compared with the carrying amount.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Goodwill is tested for impairment by performing an impairment test on the cash-generating unit which goodwill has been allocated to. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in profit or loss of the reporting period.

At each balance sheet date, impaired assets are evaluated to determine whether it is probable that the recoverable amount of the assets has increased (except for goodwill whose impairment losses are not reversed). If the impairment test indicates that the recoverable value of an asset or group of assets (cash-generating unit) has increased above its carrying amount, the previous impairment loss is reversed up to the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Reversals of impairment losses are recognised in the profit or loss as a reduction of the impairment loss.

Biological assets

Biological assets are recognised in the statement of financial position when the asset is controlled by the Group, it is expected that future economic benefits associated with the asset will flow to the Group and the fair value of the asset or its cost can be determined reliably.

Biological assets are carried in the separate line "Biological assets" in the statement of financial position.

Biological assets are fish stocks, including the following fish species:

- rainbow trout (*Oncorhynchus mykiss*)
- whitefish (*Coregonus lavaretus*)
- Arctic char (*Salvelinus alpinus*)

The Group raises primarily rainbow trout in its fish farms located in Finland and Sweden, which makes up 80% of its total annual fish volume. The Group uses the Norwegian export statistics for evaluation of the fish stocks of rainbow trout / Source: http://www.akvafakta.no /. For evaluation of the fish stocks of whitefish, the monthly market price survey of the Finnish Fish Farmers' Association and for that of the Arctic char, the latest market prices used in the Group's (Heimon Kala Oy) sales transactions are used as the basis.

Biological assets are classified based on their stage of completion, which are relevant for formation of market prices.

Accounting policies for each class of biological assets have been determined as follows:

- Fries (from fertilised roeup to 250 g fry)

  Fries are carried at fair value. Fair value is determined on the basis of the biomass volume of fry and its weighted average market price at the balance sheet date.

- Juveniles (250 g fry up to fish suitable for harvesting)

  The fair value of juveniles cannot be determined reliably due to the absence of an active market, and they are carried in the statement of financial position at cost. The direct expenditures incurred in breeding the juveniles to fish suitable for harvesting is capitalised as part of the cost.

  At each balance sheet date, the cost is compared with the net realisable value of the juveniles. The net realisable value is the estimated fair value of fish suitable for harvesting at the time the juveniles are expected to become suitable for harvesting, less estimated costs on breeding the juveniles to make them suitable for harvesting, and on subsequent sale. When it is probable that the cash flows from future sales cover both the cost as well as the additional expenditure related to breeding and sale, juveniles are recognised at cost. Otherwise, juveniles are written down to their net realisable value. Impairment losses are recognised in profit or loss.

- Fish suitable for harvesting (reclassification from juveniles to fish suitable for harvesting is based on the weight which depends on fish species)
  On initial recognition (at acquisition or reclassification from juveniles) and at each balance sheet date, the fish suitable for harvesting is measured at their fair value less estimated costs to sell. The bases for determination of fair value are the estimated biomass of fish suitable for harvesting, less the weight loss occurring at disposal, and the weighted average market price at the balance sheet date, i.e. the latest market price for similar assets sold by independent parties, adjusted for the effect of existing differences, assuming no major changes have occurred in the economic environment between the transaction date and the balance sheet date. In the areas where external market prices are unavailable, the estimate is based on internal market prices. The quality class (higher or regular) is also considered in determination of prices.

Costs to sell include fees to intermediaries, levies and non-refundable taxes. Costs to sell do not include transportation and other and other costs necessary to get an asset to a market , however, such expenditures are taken into account when determining fair value.

Subsequent expenditure directly related to bringing the immature biological assets up to the point they are suitable for harvesting are capitalised as part of the cost of biological assets. The cost is adjusted periodically by the re-measurement of the biological assets at its fair value.

Gains and losses arising from fair value adjustments of biological assets are recognised in the separate line "”Revaluation of biological assets" in the statement of comprehensive income. Agricultural produce is recognised at fair value less estimated costs to sell.

Finance and operating leases

Leases of property, plant and equipment which transfer all significant risks and rewards of ownership to the lessee are classified as finance leases. Other leases are classified as operating leases.

The Group is the lessee

Assets acquired under the finance lease terms are recognised in the statement of financial position at the lower of the fair value of the asset, and the present value of minimum lease payments. Each lease payment is allocated between the finance charges (interest expense) and reduction of the liability. Finance costs are allocated to rental period so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The assets acquired under finance leases are depreciated similarly to other non-current assets whereas the depreciation period is the shorter of the useful life of the asset and the lease term (if there is no reasonable certainty that the lessee will obtain ownership).

Operating lease payments are recognised in the statement of comprehensive income as expenses on a straight-line basis over the lease term. Fees payable to the lessor upon the conclusion of lease agreements are treated as part of the lease transaction and these fees are recognised as prepaid rent in the statement of financial position and as a rental expense on a straight-line basis over the lease term.

The Group is the lessor

Assets leased out under the operating lease terms are recognised similarly to other assets recognised in the consolidated statement of financial position. For depreciation of assets that are leased out, the Group uses the depreciation policies applied to similar assets. Operating lease payments are recognised on a straight-line basis over the lease term.

Financial liabilities

All financial liabilities (trade payables, other short and long-term liabilities, borrowings) are initially recognised at their fair value, less any transaction costs. They are subsequently recognised at amortised cost, using the effective interest rate method.

The amortised cost of the current financial liabilities generally equals their nominal value; therefore current financial liabilities are stated in the statement of financial position at redemption value. To calculate the amortised cost of non-current financial liabilities, they are initially recognised at fair value of the proceeds received (net of transaction costs incurred) and an interest expense is calculated on the liability in subsequent periods using the effective interest rate method.

A financial liability is classified as current when it is due to be settled within 12 months after the balance sheet date or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowings that are due within 12 months after the balance sheet date, but which are refinanced after the balance sheet date as long-term, are recognised as short-term borrowings. Also, borrowings are classified as short-term if the lender had at the balance sheet date the contractual right to demand immediate payment of the borrowing due to the breach of conditions set forth in the agreement.

Borrowing costs (interests) to finance the construction of assets are capitalised during the period that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed at the time they are incurred.

Provisions and contingent liabilities

Provisions are recognised in the statement of financial position when the Group has an obligation (legal or contractual) as a result of an event which occurred before the balance sheet date; it is probable that an outflow of resources is required to settle the obligation, but the final amount or settlement date of the obligation are not exactly known.

The provisions are recognised based on management's estimates regarding the amount and timing of the expected outflows. A provision is recognised in the statement of financial position in the amount which according to the management's estimate is required to settle the present obligation at the end of the reporting period or to transfer it to a third party at that time. Provisions are recognised at a discounted value (present value of the expenditures expected to be required to settle the obligation), unless the discounting effect is immaterial. The expenses related to provisions are recognised in the statement of comprehensive income.

Other obligations whose realisation is not probable or the amount of the obligation cannot be measured with sufficient reliability but which in certain circumstances may become liabilities, are disclosed in the notes to the financial statements as contingent liabilities.

Current and deferred income tax

Income tax assets and liabilities, and income tax expenses and income comprise current (payable) income tax and deferred income tax. Payable income tax is classified as a current asset or a liability; and deferred income tax as a non-current asset or a liability.

Estonian entities of the Group

According to the applicable laws of the Republic of Estonia, the Estonian entities do not pay income tax on their profits. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. The effective tax rate is 21/79 of the amount paid out as net dividends. As it is the dividends and not the profit that is subject to income tax, no temporary differences between the taxable values and the carrying amounts of assets and liabilities arise, which could give rise to deferred income tax assets and liabilities.

Income tax payable on dividends is recognised as an income tax expense in the statement of comprehensive income and as a liability in the statement of financial position at the time dividends are declared, regardless of the actual payment date or the period for which dividends are paid. An income tax liability is due at the 10th day of the month following the payment of dividends.

Foreign entities of the Group

In Latvia, Lithuania, Sweden, Finland and Russia, corporate profits are taxable with income tax. For identification of the taxable income, the pre-tax profit is adjusted for temporary or permanent income and expense additions as required by local income tax laws.

For foreign subsidiaries, deferred income tax assets or liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised in the statement of financial position only when it is probable that future taxable profit will be available against which the deductions can be made.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account any trade discounts and volume rebates granted.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, when the amount of revenue and the costs incurred in respect of the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering of services is recorded upon rendering of the service, or based on the stage of completion if services are performed over a longer period of time.

Interest and dividend income is recognised when it is probable that future economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably. Interest income is recognised using the effective interest rate of an asset. Dividends are recognised when the right to receive payment is established.

Share capital

Ordinary shares are included within equity. The expenditures related to the issue of ordinary shares are recognised as a reduction of equity. Treasury shares repurchased by the parent company are recognised as a reduction of equity (in the line item "Treasury shares"). Disbursements and contributions related to treasury shares are recognised in equity.

Statutory reserve capital

Reserve capital is formed to comply with the requirements of the Commercial Code of the Republic of Estonia. During each financial year, at least 5% of the net profit shall be entered in reserve capital, until reserve capital reaches one-tenth of share capital. Reserve capital may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from reserve capital.

Share-based transactions

The fair value of the services provided by the employees to the Group (work contribution) in exchange for shares is recognised as an expense in the statement of comprehensive income and in the line "Other reserves" in equity over the vesting period (from the date of issue of a convertible bond until the beginning of the conversion period). The fair value of the services received is determined based on the fair value (market price) of equity instruments granted to employees at the grant date. As the employee has the right to convert the convertible bond for the shares only in case of an existing employment relationship under the share-based payment agreement, at each balance sheet date, an estimate is made as to the number of convertible bonds that are expected to vest, and the impact of the revision to original estimates, is recognised as an adjustment of the staff costs and "Other reserves" according to the number of convertible bonds that are expected to vest. Transaction costs attributable to equity transactions related to issue of new shares are deducted from equity. Upon conversion of convertible bonds into ordinary shares, the amount recognised in the line "Other reserves" (less any directly attributable transaction costs) is reclassified to the equity item "Share capital" and the amount above the nominal value of shares is reclassified in the item "Share premium".

Earnings per share

Basic earnings per share are determined by dividing the net profit for the financial year by the period's weighted average number of shares issued. Treasury shares are not included in the weighted average number of shares. Diluted earnings per share is calculated by adjusting the net profit and the weighted average number of shares outstanding for the effects of dilutive potential ordinary shares.

Payables to employees

Payables to employees include the performance pay payable to employees on the basis of employment contracts which are calculated by reference to the Group's financial results and fulfilment of the employees' individual performance objectives. Performance pay is recognised as an expense and a payable to employees if the disbursement takes place during the next reporting period. In addition to performance pay, this accrual also includes expenses on social security tax and unemployment insurance tax calculated on the performance pay. Payables to employees include the accrued vacation pay calculated according to employment contracts and employment laws effective in Estonia.

The Group makes contributions to several mandatory funded pension funds, which are recognised as expenses in the statement of comprehensive income (this expense is included within the social security tax for the parent company and the subsidiaries located in Estonia). The Group has neither a legal nor a factual obligation to make other pension or similar payments in addition to those mentioned above.

Government grants

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate. Government grants for non-current assets are included within non-current liabilities and are credited to income in the income statement over the useful life of the acquired asset.

Note 3 Financial risks

The Group's risk management policy is based on the requirements established by regulatory bodies, generally accepted practices and the Group's internal rules. The Group is guided by the principle to manage risks in a manner that ensures an optimal risk to reward ratio. As part of the Group's risk management, all potential risks, their measurement and control are defined, and an action plan is prepared to reduce risks while ensuring the attainment of the Company's financial and other strategic objectives.

in thousands of euros

The Management Board of the Parent Company has the main role in management of risks. The Supervisory Board of the Parent Company exercises supervision over the measures taken by the Management Board to manage risks. The Group assesses and limits risks through systematic risk management. For managing financial risks, the Group has involved its financial unit that finances the Parent Company as well as its subsidiaries and, directly as a result of that, also manages liquidity risk and interest rate risk.

Financial instruments by class

Financial assets at 31.12.11 EUR '000	Available for sale financial assets	Loans and receivables	Total
Cash and bank (Note 5)	0	712	712
Trade receivables (Note 6)	0	6,268	6,268
Other receivables (Note 6)	0	98	98
Shares	71	0	71
Total	**71**	**7,078**	**7,149**

Financial liabilities at 31.12.11 EUR '000	Liabilities at amortised cost
Borrowings (Note 17)	11,963
Factoring	236
Trade payables (Note 18)	5,537
Other payables (Note 18)	114
Total	**17,850**

Financial assets at 31.12.10 EUR '000	Available for sale financial assets	Loans and receivables	Total
Cash and bank (Note 5)	0	722	722
Trade receivables (Note 6)	0	8,367	8,367
Other receivables (Note 6)	0	277	277
Shares	70	0	70
Total	**70**	**9,366**	**9,436**

Financial liabilities at 31.12.10 EUR '000	Liabilities at amortised cost
Borrowings (Note 17)	11,930
Factoring	2,762
Trade payables (Note 18)	5,734
Other payables (Note 18)	1,453
Total	**21,879**

Management of financial risks is a significant and integral part in managing the Group's business processes. The ability of the management to identify, measure and control different risks has a significant effect on the Group's profitability. Risk is defined by the Group's management as a possible negative deviation from the expected financial result.
The activities of the Group are accompanied by several financial risks, of which the credit risk, liquidity risk and market risk, including currency risk and interest rate risk, have the most significant influence.

Credit risk

Credit risk expresses a potential loss that arises in the event of clients failing to perform their contractual obligations. To reduce credit risk, the payment discipline of clients is consistently monitored.
To minimize credit risk, solvency of a potential future contractual partner is assessed based on the information received from the Commercial Register, Tax Board or other public sources. Contracts for purchase and sale of products are concluded with all contractual partners, and a payment term is granted only to reliable partners. If possible, the Group uses factoring without recourse as an additional measure to manage credit risk.

Maximum credit risk that arises from the Group's trade receivables is presented below:

Trade receivables EUR '000	**Not yet due**	**Not impaired, past due**		**Impaired**	**Total**
		up to 90 days	**over 90 days**		
at 31.12.2011 (Note 6)	6,019	146	103	56	6,324
at 31.12.2010 (Note 6)	7,772	541	54	67	8,434

In 2011, the Group has written down doubtful receivables in the amount of EUR 69 thousand (2010: EUR 46 thousand), in accordance with the Group's rules for assessing trade receivables on the basis of expected cash flows.
Available financial resources are kept in the banks of Danske, Unicredit, SEB, Pohjola and Swedbank.

in thousands of euros

Trade receivables (not due) by country

At 31 December **EUR '000**	**2011**	**2010**
Finland	1,200	3,649
Estonia	2,115	1,863
Latvia	936	976
Lithuania	994	842
Russia	774	441
Sweden	0	1
Total trade receivables not due	**6,019**	**7,772**

Liquidity risk

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

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

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

Overdraft facilities are used to finance working capital, long-term bank loans or finance lease agreements are used to purchase non-current assets. The Group is highly-leveraged, therefore liquidity management is one of the Group's priorities.

As at 31 December 2011, the Group's working capital was EUR 13,730 thousand (31 December 2010: EUR 12,848 thousand).

The management considers it important to monitor liquidity risks; the additional need for capital can be covered by overdraft facilities or by refinancing the loan portfolio. At 31 December 2011, the balance of the unused overdraft facility was EUR 2,064 thousand.

Analysis of undiscounted financial liabilities by due date:

31.12.11, EUR '000	**less than 3 months**	**from 3 to 12 months**	**from 1 to 5 years**	**Total**
Borrowings	631	2,493	9,695	12,819
Factoring	236	0	0	236
Trade and other payables	5,296	314	74	5,684
Total liabilities	**6,163**	**2,171**	**9,769**	**18,103**

31.12.10, EUR '000	**less than 3 months**	**from 3 to 12 months**	**from 1 to 5 years**	**Total**
Borrowings	696	2,061	10,087	12,844
Factoring	2,762	0	0	2,762
Trade and other payables	6,880	314	0	7,194
Total liabilities	**10,338**	**2,375**	**10,087**	**22,800**

Interest cash flows are recognised using the spot interest rates.

Currency risk

Currency risk arises when business transactions, assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group tries to avoid large foreign currency exposures. The main currencies used are RUB, LTL, LVL, SEK, USD, PLN and EUR. The Group is most exposed to fluctuations of the exchange rate of RUB, SEK, USD and

in thousands of euros

LVL. The Group has not used any financial instruments to secure itself against currency risks that may arise from business transactions, assets and liabilities in the future. The Group does not have any significant currency risks. Any income and expenses arising from those transactions are included in other operating income/expenses or financial income/cost under "Foreign exchange gains/losses".

Financial instruments at 31 December 2011 according to the underlying currency:

EUR '000	EUR	LTL	LVL	PLN	RUB	SEK	USD	Total
Cash and bank (Note 5)	312	107	177	0	43	73	0	712
Trade receivables (Note 6)	3,334	1,035	952	0	924	23	0	6,268
Other receivables (Note 6)	88	9	0	0	1	0	0	98
Shares	71	0	0	0	0	0	0	71
Total financial assets	**3,805**	**1,151**	**1,129**	**0**	**968**	**96**	**0**	**7,149**
Borrowings (Note 17)	-11,963	0	0	0	0	0	0	-11,963
Factoring	0	-236	0	0	0	0	0	-236
Trade payables (Note 18)	-4,158	-553	-187	-24	-456	-92	-68	-5,537
Other payables (Note 18)	-52	-60	0	0	-2	0	0	-114
Total financial liabilities	**-16,174**	**-848**	**-187**	**-24**	**-457**	**-92**	**-68**	**-17,850**
Net currency position	**-12,369**	**302**	**943**	**-24**	**510**	**4**	**-68**	**-10,701**
Possible change in the exchange rate (%)	0.00%	0.00%	±0.34%	±3.12%	±1.50%	±5.42%	±4.94%	x
Effect of exchange rate change on profit	**0**	**0**	**±3**	**±1**	**±8**	**0**	**±3**	**x**

Financial instruments at 31 December 2010 according to the underlying currency

EUR '000	EUR/ EEK	LTL	LVL	PLN	RUB	SEK	USD	Total
Cash and bank (Note 5)	385	41	209	0	78	11	0	722
Trade receivables (Note 6)	5,943	883	1,049	0	491	1	0	8,367
Other receivables (Note 6)	276	1	0	0	0	0	0	277
Shares	70	0	0	0	0	0	0	70
Total financial assets	**6,674**	**924**	**1,258**	**0**	**569**	**11**	**0**	**9,436**
Borrowings (Note 17)	-11,930	0	0	0	0	0	0	-11,930
Factoring	-2,505	-257	0	0	0	0	0	-2,762
Trade payables (Note 18)	-3,886	-504	-508	-5	-595	-225	-11	-5,734
Other payables (Note 18)	-189	-1,263	0	0	-1	0	0	-1,453
Total financial liabilities	**-18,510**	**-2,024**	**-508**	**-5**	**-596**	**-225**	**0**	**-21,879**
Net currency position	**-11,906**	**-1,103**	**750**	**-5**	**-31**	**-214**	**0**	**-12,443**
Possible change in the exchange rate (%)	0.00%	0.00%	±0.41%	±7.68%	±8.71%	±10.13%	±4.86%	x
Effect of exchange rate change on profit	**0**	**0**	**±3**	**±0**	**±2**	**±22**	**±1**	**x**

Interest rate risk

In case of long-term loans, the Group uses fixed interest rates and interest rates based on EURIBOR base interest. In managing interest rate risks, possible losses arising from changes in interest rates are regularly compared to the expenses incurred for hedging them. The Group has not applied any instruments for hedging this risk.

If at 31 December 2011 or 31 December 2010, the base interest were 100 basis points lower or higher, interest expenses would be EUR 133 thousand (2010: EUR 146 thousand) higher or lower. Loans with a floating interest rate are linked to 6-month EURIBOR.

in thousands of euros

An overview of the Group’s exposure to interest rate risk at 31 December 2011 and 31 December 2010:

31.12.11, EUR ‘000	**less than 1 year**	**over 1 year**	**Total**
Fixed interest rate			
Interest bearing receivables	1	8	9
Net position	**- 1**	**- 8**	**- 9**
Floating interest rate			
Factoring liability	236	0	236
Interest bearing liabilities (Note 17)	2,793	9,170	11,963
Net position	**3,028**	**9,162**	**12,190**

31.12.10, EUR ‘000	**less than 1 year**	**over 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 (Note 17)	2,444	9,486	11,930
Net position	**5,206**	**9,486**	**14,692**

Capital management

With regard to capital management, the Group's objective is to ensure sustainability of the Group in order to ensure returns for shareholders while preserving an optimal capital structure for reducing capital expenditure. For preserving or improving the capital structure, the Group may regulate the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the debt.

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

	31.12.2011 EUR ’000	**31.12.2010** EUR ’000
Total borrowings	11,963	11,930
Less: Cash and cash equivalents	712	722
Net debt	**11,251**	**11,208**
Total equity	40,508	41,372
Total capital (net debt + equity)	51,759	52,580
Debt to equity ratio	**22%**	**21%**

Fair value of financial instruments

The Group’s management estimates that the carrying amounts of financial assets and liabilities carried at amortised cost are not significantly different from their fair values at 31 December 2011 and 31 December 2010. Cash and bank, trade receivables, other receivables, factoring liability, trade payables and other payables are expected to be settled within 12 months or are recognised immediately before the balance sheet date and therefore their fair value is not significantly different from their carrying amount. The Group's long-term borrowings have a floating interest rate that changes according to fluctuations in the market interest rates. The Group’s management estimates that the Group’s risk level has not significantly changed since the assumption of borrowings. Thus, the fair value of non-current financial liabilities is approximately equal to their carrying amount.

Note 4 Management judgements and estimates

The preparation of financial statements in conformity with IFRSs requires the use of accounting estimates. It also requires management to make judgements in the process of application of the accounting policies. Estimates and judgments are reviewed on an ongoing basis and they are based on historical experience and other factors, including projections of future events which are believed to be reasonable under the circumstances. The management makes certain judgements (in addition to judgments related to estimates) in the process of application of the accounting policies. The estimates that have a significant impact on the information presented in these financial statements and assumptions which may cause material adjustments to the carrying amounts of assets and liabilities within the next financial year include:

Assessment of recoverability of trade receivables (Note 3, 6)
The management assesses accounts receivable on the basis of its best knowledge, taking also into account past experience. An allowance for doubtful receivables is recognised when payments are more than 90 days past their due date. Payments that are more than 90 days past their due date over are written down to the extent of 50% and payments that are more than 180 days past their due date are fully written down. Significant financial problems, likelihood of bankruptcy or financial reorganisation of a debtor, delay in payments or insolvency indicate that the accounts receivables from clients have deteriorated.

Estimating the recoverable amount of inventories (Note 7)
The management assesses inventories on the basis of available information, taking into account historical experience, general background information and possible assumptions and conditions of future events. For finished goods, write down of inventories is determined on the basis of their sales potential and net realisable value. Raw materials are assessed on the basis of their potential to be used for preparation of finished goods and generating revenue. Work-in-progress is assessed on the basis of stage of completion that can be reliably measured.

Assessment of quantities of biological assets (Note 8)
Assessment of the fair value of biological assets always involves consideration of certain estimates, although the Company has internal experts to assess these factors. The quantity of the biomass is an estimated figure that is based on juvenile fish let to a lake or sea, their expected growth and death rates, based on the death rate coefficient identified during the period. The quantity is adjusted by descaling losses. The Company tests the biomass by conducting the actual test weighing of fish inventories twice a year, in autumn and spring. Due to the weather conditions and the amount of time required for the process, physical inventory cannot be taken at the balance sheet date.

The following model is used to determine the biomass of fish:
final biomass = initial biomass + feed given to fish / feed coefficient – perished fish

The Group uses special computer programmes and a web-based programme (Finnish marine farms) developed by the Company itself for calculating the biomass. The Group makes its estimates according to its best knowledge, relying on its previous experience. The result of inventory taken in spring depends on the loss (death rate of fish) arising during the winter, which has been up to 8.6% during the recent years; that percentage has been taken into account upon determining the quantities of fish at the year-end.

Valuation of investment properties (Note 12)
Since the financial year 2009, investment properties are carried at fair value. The management has used the help of an independent real estate agency to assess the fair value of real estate properties.

Assessment of useful lives of property, plant and equipment (Note 13)
The management has assessed the useful lives of property, plant and equipment, relying on the volume and conditions of production, past experience and future projections in the given area.

Assessment of impairment of goodwill and useful lives of intangible assets (Note 14)
The management has carried out impairment tests in relation to goodwill that arose in acquisition of the following cash generating units or companies: AB Premia KPC (Lithuania), OOO Khladokombinat No1 (Russia) and Saaremere Kala AS (Estonia). As a result of impairment test, no impairment loss on goodwill was recognised in 2011 or 2010.
The management has determined the useful lives of intangible assets considering the business conditions and volumes, past experience in the area, and future outlooks.

in thousands of euros

Note 5 Cash and cash equivalents

	31.12.2011 EUR '000	31.12.2010 EUR '000
Cash on hand	53	21
Short-term deposits	7	0
Cash in transit	23	0
Bank accounts	629	701
Total cash and cash equivalents	**712**	**722**

Note 6 Receivables and prepayments

	31.12.2011 EUR '000	31.12.2010 EUR '000
Trade receivables	6,324	8,434
Allowance for doubtful receivables [1]	-56	-67
Other receivables	98	277
Prepaid expenses	164	363
Prepaid taxes	433	450
Other prepayments	188	513
Total receivables and prepayments	**7,150**	**9,970**

[1] Changes in allowance for doubtful receivables:	2011 EUR '000	2010 EUR '000
Allowance for doubtful receivables at beginning of the period	-67	-110
Doubtful receivables collected during the reporting period	1	5
Receivables recognised as doubtful receivables during the reporting period	-69	-46
Receivables written off the balance sheet during the reporting period	79	84
Allowance for doubtful receivables at end of the period	**- 56**	**- 67**

The aging analysis of trade receivables is disclosed in Note 3. A commercial pledge set as collateral for loans also covers receivables (see Note 17).

Note 7 Inventories

	31.12.2011 EUR '000	31.12.2010 EUR '000
Raw materials and materials	2,703	2,729
Work-in-progress	107	106
Finished goods	3,260	2,540
Goods purchased for sale	3,076	3,153
Prepayments for inventories and goods in transit	27	22
Inventories	**9,174**	**8,550**

In 2011, inventories were written off in the amount of EUR 154 thousand. In 2010, inventories were written off in the amount of EUR 356 thousand, including the largest one-off write-off in the amount of EUR 269 thousand related to a fire at Uusikaupunki production unit. Insurance covered the cost of damaged goods.

A commercial pledge set as collateral for loans also covers inventories (see Note 17).

in thousands of euros

Note 8 Biological assets

Biological assets	**31.12.2011** EUR'000	**31.12.2010** EUR '000
Fry	1,248	909
Juveniles	1,075	1,621
Fish suitable for harvesting	5,856	5,831
Total biological assets	**8,179**	**8,361**

As at 31.12.2011, biological assets totalled 1,940 (31.12.2010: 1,842) tons. In the financial year, agricultural produce in the amount of 1,655 (2010: 1,448) tons was harvested.
Biological assets include the following species: rainbow trout (*Oncorhynchus mykiss*) 79.6% of biomass (2010: 84.3%), whitefish (*Coregonus lavaretus*) 12.8% of biomass (2010: 10.4%) and Arctic char (*Salvelinus alpinus*) 7.6% of biomass (2010: 5.4%).

Change in biological assets	**2011** EUR'000	**2010** EUR '000
Biological assets at beginning of the period	8,361	6,220
Purchased	495	220
Additions	4,842	5,941
Fair value adjustments	-459	1,022
Harvested	-4,667	-4,245
Written off	-147	-301
Fry and live fish sold	-221	-26
Exchange rate differences	-25	-470
Biological assets at end of the period	**8,179**	**8,361**

The aggregate gain attributable to the growth of biological assets and the changes in fair value less costs to sell of biological assets amounted to EUR 4,383 thousand (2010: EUR 6,963 thousand), comprising of amounts presented under "additions" and "fair value adjustments" above. In the amount of "additions", the Group has capitalised subsequent expenditures incurred on development of immature biological assets, therefore in the income statement, only the gain/loss from "fair value adjustments" is presented as a separate line.

Note 9 Subsidiaries

Subsidiary	**Domicile**	**Ownership interest** 31.12.11	31.12.10	**Area of activity**	**Owner**
Saaremere Kala AS	Estonia	100%	100%	Holding company of fish segment	Premia Foods AS
Vettel OÜ	Estonia	100%	100%	Production of fish products	Saaremere Kala AS
GourmetHouse OÜ	Estonia	100%	100%	Sale of fish products	Saaremere Kala AS
Premia Tallinna Külmhoone AS	Estonia	100%	100%	Ice cream production, sale of frozen goods products and ice cream	AB Premia KPC
OÜ TCS Invest	Estonia	x	100%	Holding company	AS Premia Tallinna Külmhoone
AB Premia KPC	Lithuania	100%	100%	Sale of ice cream and frozen goods products	Premia Foods AS
Heimon Kala OY	Finland	100%	100%	Fish farming, production and sale of fish products	Saaremere Kala AS
Överumans Fisk Ab	Sweden	100%	100%	Fish farming and sales	Heimon Kala Oy
Skärgårdshavets Fisk Ab	Sweden	x	100%	Fish farming and sales	Heimon Kala Oy
SIA F.F.L.S.	Latvia	100%	100%	Holding company	AS Premia Tallinna Külmhoone
AS Premia FFL	Latvia	100%	100%	Sale of ice cream and frozen goods products	AS Premia Tallinna Külmhoone, SIA F.F.L.S.
OOO Khladokombinat No1	Russia	100%	100%	Ice cream production, sale of ice cream and frozen goods products	Premia Foods AS
OOO Khladomagija	Russia	100%	100%	Holding company	Premia Foods AS

in thousands of euros

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

Two mergers were completed in the financial year; OÜ TCS Invest was merged with Foods AS and Skärgårdshavets Fisk AB was merged with Överumans Fisk AB.

Transactions with non-controlling interest
In 2010, a 48.572% non-controlling interest was acquired in the subsidiary OÜ GourmetHouse. A cash payment of EUR 109 thousand was made for the acquisition of the non-controlling interest and treasury shares with the carrying amount of EUR 225 thousand were transferred.

In 2010, a EUR 408 thousand was paid for the acquisition of 5% non-controlling interest in the Latvian subsidiary AS Premia FFL; the transaction was conducted in 2009.

Business combinations
At 7 May 2010, the Group acquired a 100% ownership interest in OOO Khladokombinat No 1, the key activity of which is production and sale of ice cream. At the same date the Group also acquired OOO Khladokombinat, which has no independent economic activities and was set up with the goal of holding certain intellectual property rights which OOO Khladokombinat No 1 intends to use in its subsequent economic activities.
The purpose of the acquisition of these companies was to develop and expand further the ice-cream segment activities in St. Petersburg and Leningrad region.

The goodwill arising from the acquisition, that did not qualify for separate recognition, amounted to EUR 2,971 million and is attributable to the obtaining of the ice-cream production process in St. Petersburg.

The fair value of the trade receivables at the acquisition date was equal to the contractual amount of the receivables.

The consideration paid for the acquisition of the ownership interest in OOO Khladokombinat No 1 was EUR 3,039 thousand and was fully paid for before signing the sales agreement. The single share of OOO Khladomagija was acquired for the price of EUR 3 thousand. The net cash outflow in acquisition amounted to EUR 2,988 thousand, comprising on cash paid in the amount of EUR 3,042 less the cash in the acquired entity in the amount of EUR 54 thousand.

The acquisition cost of the subsidiary OOO Khladokombinat No 1 also includes acquisition- related costs in the total amount of EUR 735 thousand. The revised IFRS 3 which has been applied in the preparation of the Group's financial statements since 2010 requires that acquisition-related costs are recognised as expenses; as these transaction costs were incurred in 2009 or earlier, they have been capitalised as part of the acquisition cost according to the provisions of IFRS 3 effective during these periods.

Acquired identifiable assets and liabilities	OOO Khladokombinat No1 EUR '000	OOO Khladomagija EUR '000
Cash (Note 5)	54	0
Trade receivables (Note 6)	2,116	2
Inventories (Note 7)	922	0
Deferred tax assets (Note 10)	125	0
Property, plant and equipment (Note 13)	1,606	0
Intangible assets (Note 14)	1	11
Payables and prepayments (Note 18)	-4,018	-13
Total acquired identifiable net assets	**806**	**0**
Goodwill (Note 14)	2,971	0
Total	**3,777**	**0**

In the period between 1 May 2010 and - 31 December 2010, the revenue of OOO Khladokombinat No 1 totalled EUR 9,175 thousand and the loss totalled EUR 199 thousand in the consolidated financial statements.

Had OOO Khladokombinat No 1 and OOO Khladomagija been consolidated at 1 January 2010, the Group's consolidated revenue would have been EUR 3,234 thousand higher and the consolidated profit would have been EUR 639 thousand lower.

in thousands of euros

Note 10 Deferred income tax

Deferred income tax asset EUR '000	Tax losses	Other	**Total**
Deferred income tax assets as at 31.12.09	354	14	368
Additions through acquisition of subsidiary	104	27	131
Deferred income tax assets as at 31.12.10	458	41	499
Impact on income statement	-31	-30	-61
Impact on other comprehensive income	-2	-1	-3
Deferred income tax assets as at 31.12.11	425	10	435

Deferred income tax liability EUR '000	Accelerated income tax amortisation	Fair value adjustment	Other	**Total**
Deferred income tax liability as at 31.12.09	856	301	0	1,157
Impact on income statement	165	273	23	461
Impact on other comprehensive income	25	0	-1	24
Additions through acquisition of subsidiary	0	0	0	0
Deferred income tax liability as at 31.12.10	1,046	574	22	1,642
Impact on income statement	-195	-149	-13	-357
Impact on other comprehensive income	4	0	0	4
Impact on equity	-11	0	0	-11
Deferred income tax liability as at 31.12.11	844	425	9	1,278

See also Note 29.

Note 11 Long-term financial investments

	31.12.2011 EUR'000	**31.12.2010** EUR '000
Loans (annual interest 3.5%)	1	9
Shares at cost	61	61
Shares under equity method	17	13
Shares at market value	10	10
Total long-term financial investments	**89**	**93**

In the reporting period, the Group earned dividend and interest income on financial investments in the total amount of EUR 0.9 thousand, and EUR 1.4 thousand in the previous reporting period.

Note 12 Investment property

	2011 EUR'000	**2010** EUR '000
Fair value at beginning of the period	2,084	2,084
Fair value at end of the period	**2,084**	**2,084**

Land and buildings at Peterburi Rd 42, Tallinn which are no longer used in the company's operations are included within investment property. The fair value method is used to account for investment property. The fair value of investment property is based on an independent expert's opinion. The independent expert's opinion, also serving as a basis of judgement for The Board of Management, uses the market value residuary method whereby the potential market value/revenues from rent after the completion of the construction are estimated, and the amount is reduced by the expenditures necessary to develop the property. The valuation also relies on the assumption that the detailed planning for the property has been authorized and approved. The valuation made by the expert is based on the property's potential to serve as a commercial property, considering its advantageous location and the current market situation, and does not account for the potential value, which could be arrived at with the maximum space usage set forth in the building permit, that implies for a 5-6 storey business premises.

in thousands of euros

The expenses attributable to operating of the property are related to the technical supervision of construction in the amount of EUR 1 thousand in the financial year. In 2010, operating expenses amounted to approximately EUR 0.5 thousand. In the reporting period, rental income earned on investment properties totalled EUR 4 thousand (2010: 3 thousand).

A mortgage set as collateral for the loans also covers the investment property (see Note 17).

Note 13 Property, plant and equipment

EUR '000	Land and buildings	Machinery and equipment	Fixtures, fitting and tools	Construction in progress, prepayments	Total
Carrying amount as at 31.12.09	**5,913**	**8,554**	**432**	**566**	**15,465**
Additions during the period	258	1,232	242	154	1,886
Additions through business combinations (Note 9)	0	1,599	7	0	1,606
Carrying amount of assets sold and written off	-111	-284	-0	0	-395
Reclassification	0	637	-78	-559	0
Reclassification to current assets (carrying amount)	0	-1	0	0	-1
Currency translation differences	69	-249	1	43	-136
Depreciation charge of the reporting period (Note 26)	-534	-2,646	-158	0	-3,338
Carrying amount as at 31.12.10	**5,595**	**8,842**	**446**	**204**	**15,087**
Additions during the period	57	1,332	67	165	1,621
Carrying amount of assets sold and written off	0	-210	-7	0	-217
Reclassification	0	192	12	-204	0
Currency translation differences	23	12	5	0	40
Depreciation charge of the reporting period (Note 26)	-559	-2,557	-144	0	-3,260
Carrying amount as at 31.12.11	**5,116**	**7,611**	**379**	**165**	**13,271**
Cost as at 31.12.09	8,139	20,778	2,507	566	31,990
Accumulated depreciation as at 31.12.09	-2,226	-12,224	-2,075	0	-16,525
Cost as at 31.12.10	8,329	23,533	1,421	204	33,487
Accumulated depreciation as at 31.12.10	-2,734	-14,691	-975	0	-18,400
Cost as at 31.12.11	8,419	24,421	1,423	165	34,427
Accumulated depreciation as at 31.12.11	-3,304	-16,809	-1,044	0	-21,156

As at 31.12.2011, the cost of fully depreciated non-current assets still in use is EUR 6,928 thousand (31.12.2010: EUR 5,073 thousand).

Property, plant and equipment acquired under the finance lease terms are disclosed in Note 15. Additional information about collaterals for loans is disclosed in Note 17.

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Note 14 Intangible assets

EUR '000	Goodwill	Client contracts	Trade-marks	Permits and connection fees	Software licenses	Pre-payments	**Total**
Carrying amount as at 31.12.09	**16,971**	**1,280**	**914**	**668**	**270**	**83**	**20,186**
Additions through business combinations	2,971	0	12	0	0	0	2,983
Additions during the period	0	0	1	0	74	16	91
Assets disposed of and written off	0	0	0	0	-2	-21	-23
Reclassified from non-current assets held for sale	0	0	1,013	0	0	0	1,013
Currency translation differences	0	-2	-0	0	-0	0	-2
Amortisation charge of the reporting period (Note 26)	0	-460	-88	-41	-91	0	-680
Carrying amount as at 31.12.10	**19,942**	**818**	**1,852**	**627**	**251**	**78**	**23,568**
Additions during the period	0	0	0	0	43	109	152
Reclassified	0	0	0	6	64	-70	0
Currency translation differences	0	0	0	0	1	-1	0
Amortisation charge of the reporting period (Note 26)	0	-473	-104	-39	-89	0	-705
Carrying amount as at 31.12.11	**19,942**	**345**	**1,748**	**594**	**269**	**116**	**23,015**
Cost as at 31.12.09	16,971	2,269	1,076	782	638	83	21,819
Accumulated amortisation as at 31.12.09	0	-873	-161	-114	-368	0	-1,633
Cost as at 31.12.10	19,942	2,301	2,102	782	641	78	25,846
Accumulated amortisation as at 31.12.10	0	-1,483	-250	-155	-390	0	-2,278
Cost as at 31.12.11	19,942	2,301	2,102	788	727	116	25,976
Accumulated amortisation as at 31.12.11	0	-1,483	-353	-194	-458	0	-2,961

In conjunction with the acquisition of OOO Khladokombinat No 1 at 7 May 2010, non-current assets held for sale (trademarks of the Russian entity) were reclassified as intangible assets. At 31.12.2011, the carrying amount of trademarks was EUR 929 (31.12.2010: EUR 979) thousand and the remaining useful life is 18.3 years.

Division of goodwill by entity:

	Segment	**31.12.11** EUR'000	**31.12.10** EUR'000
AS Saaremere Kala	Fish	4,730	4,730
AB Premia KPC	Ice cream and frozen goods (Lithuania, Estonia, Latvia)	12,241	12,241
OOO Khladokombinat No1	Ice cream (Russia)	2,971	2,971
Total		**19,942**	**19,942**

The Parent Company has carried out impairment test for goodwill of AS Saaremere Kala Group, AB Premia KPC Group and OOO Khladokombinat No1 as at 31 December 2011 and 2010, using market-based comparable valuation multiples. Under the market-based method, an entity is compared with a similar entity in the same sector whose shares are traded in a market or which has recently been sold, and for which there is sufficient information available about the transaction price. In this case, the European and Russian manufacturers of food products, fish farms and fish product manufacturers are treated as the sector, and the price levels and various ratios of these companies have been compared. To determine the fair value, the average valuation multiples of the industry have been applied to the actual financial indicators of subsidiaries. For goodwill tests of AS Saaremere Kala and AB Premia KPC the multiples used were EV/Sales 0.9 and EV/EBITDA 8.2 which both were given 50% weight. For goodwill test of OOO Khladokombinat No1 only EV/Sales 1.1 multiple was used as the EBITDA was negative for 2011. The recoverable amount determined in the test for all cash-generating units is higher than their carrying amount. Depending on the segment, a reduction by 20% to 50% in the multiples used would not result in impairment.

in thousands of euros

Note 15 Finance lease

EUR '000	Machinery and equipment	Fixtures, fittings and tools	Total
Cost as at 31.12.2011	3,505	1	3,506
Accumulated depreciation as at 31.12.2011	-1,946	0	-1,946
Carrying amount as at 31.12.2011	**1,559**	**1**	**1,560**
Cost as at 31.12.2010	3,800	216	4,016
Accumulated depreciation as at 31.12.2010	-2,079	-139	-2,218
Carrying amount as at 31.12.2010	**1,721**	**77**	**1,798**

In the financial year, property, plant and equipment were purchased under the finance lease terms in the total amount of EUR 538 (2010: EUR 63) thousand.

	2011 EUR'000	**2010** EUR '000
Principal payments in the financial year	752	868
Interest expenses in the financial year	27	31
Average interest rate	2.9%	2.2%
Finance lease liabilities at 31 December, incl.:	**834**	**1 043**
Due in less than 1 year	394	689
Due between 1-5 years	440	354
Minimum finance lease payments:		
Due in less than 1 year	412	711
Due between 1-5 years	458	357
Total	**871**	**1,068**
Future interest expense of finance lease	-37	-25
Present value of finance lease liability	**834**	**1,043**

See also Note 17.

Note 16 Operating lease

The Group leases motor vehicles, warehouse premises, water areas, office premises, software and equipment.

Operating lease payments (EUR '000)	Land and buildings	Machinery and equipment	Motor vehicles	Software	Total
Operating lease expense in 2011	3,140	0	158	23	3,321
Future lease payments under non-cancellable lease agreements:					
Due in less than 1 year	3,119	0	123	24	3,266
Due between 1 and 5 years	2,808	0	210	58	3,075
Due after 5 years	1,137	0	0	0	1,137
Total	**7,063**	**0**	**333**	**82**	**7,478**

in thousands of euros

Operating lease payments (EUR '000)	Land and buildings	Machinery and equipment	Motor vehicles	Software	Total
Operating lease expense in 2010	3,084	109	170	6	3,369
Future lease payments under non-cancellable lease agreements:					
Due in less than 1 year	3,100	0	160	6	3,266
Due between 1 and 5 years	2,803	0	347	24	3,174
Due after 5 years	1,100	0	0	0	1,100
Total	**7,003**	**0**	**507**	**30**	**7,540**

A major part of the lease payments for "Land and buildings" is made up of the rent for the deep-freeze warehouse in Tallinn. The lease agreement was entered into in 2008 for a term of 10 years. The Company has issued a bank guarantee to the lessor of the deep-freeze warehouse, equalling 12-month lease payments (see also Note 32).

Note 17 Borrowings

Short-term loans	Interest rate	Due date	31.12.11 EUR'000	31.12.10 EUR'000
Finance lease liabilities (Note 15)			**394**	**689**
Overdraft facility: limit of EUR 2,700 thousand	6-month Euribor+1.4%	31.08.2012	**636**	**0**
Investment loans, incl.			**1,763**	**1,755**
8,675 thousand	6-month Euribor+2.0%	19.08.2015	1,239	1,239
700 thousand	6-month Euribor+2.0%	19.08.2015	100	100
4,500 thousand	6-month Euribor+0.75%	25.10.2014	424	416
Total (Note 3)			**2,793**	**2,444**

Long-term loans	Interest rate	Due date	31.12.11 EUR'000	31.12.10 EUR'000
Finance lease liabilities (Note 15)			**440**	**354**
Investment loans, incl.			**8,730**	**9,132**
8,675 thousand	6-month Euribor+2.0%	19.08.2015	5,784	5,661
700 thousand	6-month Euribor+2.0%	19.08.2015	483	584
4,500 thousand	6-month Euribor+0.75%	25.10.2014	2,463	2,887
Total (Note 3)			**9,170**	**9,486**

As at 31.12.11 and 31.12.10, the loans are secured by mortgages on property in the amount of 15,748 thousand (carrying amount of investment properties of EUR 2,084 thousand (31.12.10: EUR 2,084 thousand) and "Land and buildings" in the amount of EUR 3,431 thousand (31.12.10: EUR 3,845 thousand)) and by a commercial pledge in the amount of EUR 2,640 thousand set for other assets (excluding investment property and "Land and buildings"). In 2011, no changes have been made to the collateral.

In addition, the collateral includes the shares of subsidiaries: AS Saaremere Kala, AS Premia Tallinna Külmhoone, OÜ Vettel, and AS Premia FFL.

in thousands of euros

Note 18 Payables and prepayments

	31.12.2011 EUR '000	31.12.2010 EUR '000
Trade payables	5,537	5,734
Payables to employees	1,200	1,235
Payables to group entities and shareholders (Note 31)	10	1,252
Interest payables	26	10
Prepayments from clients	33	7
Other payables	78	191
Tax liabilities, incl.:	1,581	1,130
Social security tax	303	230
VAT	1,071	683
Personal income tax	154	157
Corporate income tax	15	0
Other taxes	38	60
Total payables and prepayments	**8,465**	**9,559**

Note 19 Government grants

	2011 EUR '000	2010 EUR '000
Deferred income from government grants at the beginning of period	1,679	1,667
Government grants received during the period	367	361
Change in value due to exchange rates	18	38
Recognition as income during the period (Note 27)	-396	-387
Deferred income from government grants at end of the period	**1,668**	**1,679**

In 2011, the grants in the amount of EUR 353 (2010: 322) thousand were allocated from the EU structural funds for the purpose of making investments in the fish segment. In the financial year, the grants in the amount of EUR 340 (2010: EUR 322) thousand were received from the EU structural funds.
In 2011, Enterprise Estonia (EE) approved the application of OÜ Vettel for a structural grant to finance the project for initial certification and development of the management system in the total amount of EUR 4 thousand.
In the financial year, EE funded the implementation of the export marketing plan of AS Premia's Tallinna Külmhoone project with EUR 4 thousand (2010: EUR 28 thousand). In addition, AS Premia Tallinna Külmhoone received a temporary limited state grant in the amount of EUR 6 thousand (2010: EUR 4 thousand) by participating in the projects of the Association of Estonian Food Industry.

Note 20 Equity

At 31 December 2011, the Company had 38,682,860 shares (2010: 38,682,860) and 19,163 treasury shares (2010: 19,163). At 31 December 2011, the Company's registered share capital was EUR 23,210 thousand. As at 31 December 2010 the Company's registered share capital was EUR 24,723 thousand.

At 13 April 2011, the reduction of share capital of AS Premia Foods and its conversion into euros was entered in the Commercial Register on the basis of resolutions of the Extraordinary General Meeting of Shareholders held at 22 February 2011. The new amount of the registered share capital of AS Premia Foods is EUR 23,209,716, which is divided into 38,682,860 ordinary shares with the nominal value of EUR 0.60 each.

The Annual General Meeting held at 31 May 2011 decided to pay dividends in the amount of EUR 387 thousand or EUR 0.01 per share from retained earnings. The list of holders of securities entitled to dividends was fixed at 15 June 2011 at 23.59 and dividends were paid out at 20 June 2011.

The minimum amount of share capital specified in the articles of association is EUR 20,000,000 and the maximum amount of share capital is EUR 80,000,000.

in thousands of euros

On 20 December 2010 the Supervisory Board of Premia Foods resolved the execution of the option agreements with the members of the Management Board and Supervisory Board of Premia Foods and the members of management bodies and key employees of the subsidiaries of Premia Foods in order to issue options with the average weighted price of the share of Premia Foods on 17 December 2010 as traded on the NASDAQ OMX Tallinn Stock Exchange, which was 0.93 euro (i.e. the average weighted price on the trading day preceding to the day of determining the terms and conditions of the options). As presented by the Management Board and confirmed by the Supervisory Board, 22 persons belong to the option plan list. According to the option plan and option agreements concluded on the basis thereof, the aforementioned persons can subscribe for up to 900,000 shares (in three 300,000 share tranches) in total in the period from 10 January 2012 until 17 January 2014. The final number of shares that each member of the Management Board and key employee can subscribe for depends on the accomplishment of the objectives of Premia Foods and individual objectives of each employee related to their respective area of activity and their contribution to the operations of Premia Foods.

At the time of issuing options, the fair value of the option programme was determined using the Black-Scholes valuation model. A change in the fair value of options or shares during the period of the option programme does not affect the amount of income subsequently recognised in the income statement. The options were valued at EUR 0.04 to 0.14 per option. Significant inputs into the model were share price of EUR 0.93 at the grant date, exercise price of EUR 0.93 at the grant date, volatility of 20 to 29%, an expected option life of one to three years and risk-free interest rate of 2.8%. The volatility was measured at the standard deviation based on statistical analysis of daily share and related indices prices over the last one to three years. In 2011 the expense of share-based payments recognised as personnel expense amounted to EUR 21 thousand. As of the moment of compiling these financial statements, no options have been vested.

The balancing entry of the estimated expense related to the option programme is recognised within “Other reserves” in the statement of financial position in accordance with the accounting policies specified in IFRS 2.

In accordance with the approved option plan, the Supervisory Board of the Company has the right to increase the Company’s share capital by EUR 600 thousand from 31 January 2011 until 31 January 2014 by issuing 1,000,000 new ordinary shares of the Company. The Supervisory Board has the right to make a resolution to increase the Company's share capital by monetary and non-monetary contributions. Upon increasing the Company's share capital, the Supervisory Board has all rights of the Company’s General Meeting of Shareholders.

In 2010, the following changes occurred in share capital:

At the Annual General Meeting of the Company held at 26 March 2010, the shareholders decided to conduct a bonus issue and increase the share capital of AS Premia Foods by EUR 13,910 thousand from share premium without making contributions to equity. As a result of the increase of share capital, the new amount of share capital is EUR 15,456 thousand.

At the end of April, the initial public offering (hereinafter: IPO) of shares of AS Premia Foods and the listing of the Company’s shares on NASDAQ OMX Tallinn was successfully carried out. During the IPO, 14,500,000 shares of AS Premia Foods were sold. As a result of the public offering, EUR 12,974 thousand was received before deduction of issue-related costs. As a result of the public offering, Premia Foods received EUR 12,210 thousand after deduction of issue-related costs. The new amount of the registered share capital of Premia Foods is EUR 24,723 thousand.

On the basis of the public offer prospectus concerning the shares of AS Premia Foods, the members of the Supervisory Board and the management of AS Premia Foods were granted a pre-emptive right to fully purchase the offered shares in the amount of EUR 1,000 per person. Upon allocation, a 10% discount of the public offer price was applied. The discount applied to the subscription for shares by own employees totalled EEK 75 thousand (EUR 5 thousand).

In May 2010, 142,857 treasury shares were transferred with the carrying amount of EUR 225 thousand in relation to the purchase of a non-controlling interest, see Note 9.

In conjunction with the conversion of share capital into euros, the nominal value of share was reduced to EUR 0.60. The new amount of share capital is EUR 23,209,716. More detailed information is presented in Note 30.

List of shareholders with over 5% participation at the balance sheet date:

Shareholder	**31.12.2011** number of shares	**31.12.2011** ownership interest	**31.12.2010** number of shares	**31.12.2010** ownership interest
ING Luxembourg S.A., holds the shares of the following shareholders:				
Amber Trust II S.C.A	14,813,540	38.295%	14,813,540	38.295%
Amber Trust S.C.A	5,381,370	13.912%	5,381,370	13.912%
KJK Fund SICAV:SIF	4,063,456	10.504%	3,918,769	10.130%

Earnings per share is presented in Note 30.

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in thousands of euros

Note 21 Segment reporting

The Group's segments are determined based on the reports monitored and analysed by the Management Board of the Parent Company. The Management Board of the Parent Company monitors financial performance by business areas and geographic areas. Reports by business areas include information of more significant importance for the management of the Group for monitoring financial performance and allocating resources. Therefore, this division is used to define business segments.

The Group's business segments are the following business areas:

Fish	–	fish farming, production and wholesale of fish and fish products;
Ice cream	–	production and wholesale of ice cream;
Frozen goods	–	wholesale of frozen goods products;
Other segments	–	other activities include the provision of logistics services, sale of other services, goods and materials. Other areas of activity are insignificant for the Group and none of them makes up a separate business segment.

A relatively high integration level exists between reporting segments of ice cream and frozen goods products. That integration involves joint marketing, sales and marketing services.

The Management Board of the Parent Company assesses the results of business segments on the basis of external revenue and operating profit figures. The management also monitors secondary measures – EBITDA (profit before financial, tax expenses and depreciation, amortisation and impairment of non-current assets) and EBITDA from operations (EBITDA before fair value adjustments on biological assets and one-off expenses). These financial indicators are presented in the tables below. As an additional information, the breakdown of the most important measure – revenue – has been presented by countries for each business segment.

Income and expenses of business segments include income and expenses directly generated by the segment. The integrated expenses (marketing and sales expenses, general and administrative expenses and other operating income and expenses) are allocated between the segments of ice cream and frozen goods according to the percentages of unconsolidated revenues of the respective segments. The expenses of the Parent Company (general management expenses of the Group) and amortisation of intangible non-current assets are not allocated to segments.

The Management Board of the Parent Company regularly monitors information concerning inventories and biological assets of the business segments.

Internal reports for segments are prepared on the basis of the same accounting policies as described in Note 2. Intersegment pricing principles are based on market conditions.

EUR '000 **2011**	*Note*	Fish	Ice cream	Frozen goods	Other segments	Eliminations	Total
External revenue		36,938	28,845	20,630	1,877	0	88,290
Finland		31,204	470	0	102	0	31,776
Estonia		5,402	9,361	9,199	1,226	0	25,188
Latvia		96	3,927	7,579	55	0	11,657
Lithuania		48	5,352	3,830	407	0	9,637
Russia		0	9,735	22	85	0	9,842
Other countries		188	0	0	2	0	190
Intersegment revenue		0	0	2	17	-19	0
Total revenue of the segment		**36,938**	**28,845**	**20,633**	**1,894**	**-19**	**88,290**
Segment EBITDA from operations		3,805	2,787	-308	125	0	6,200
Unallocated EBITDA from operations							-508
Total EBITDA from operations [1]							**5,692**
Segment EBITDA		3,346	1,481	-308	125	0	4,644
Unallocated EBITDA (expenses of the Parent company)							-508
Total EBITDA							**4,136**
Depreciation and amortisation		-1,198	-1,523	-629	-34	0	-3,384
Unallocated depreciation and amortisation							-581
Total depreciation and amortisation	Note 26						**-3,965**

in thousands of euros

EUR '000 2011	*Note*	Fish	Ice cream	Frozen goods	Other segments	Eliminations	Total
Operating profit of the segment		2,148	-41	-937	91	0	1,260
Unallocated operating profit							-1,089
Total operating profit							**171**
Investments		750	562	242	15	0	1,569
Unallocated							203
Total investments	Notes 13,14						**1,772**
Inventories	Note 7	3,238	3,079	2,857	0	0	9,174
Biological assets	Note 8	8,179	0	0	0	0	8,179

[1] EBITDA before fair value adjustment on biological assets (EUR -459 thousand) and one-off relocation expenses of Russian ice cream operations (EUR -1,097 thousand).

EUR '000 2010	*Note*	Fish	Ice cream	Frozen goods	Other segments	Eliminations	Total
External revenue		29,757	26,437	19,829	1,255	0	77,278
Finland		25,671	460	0	115	0	26,246
Estonia		3,838	7,527	9,376	835	0	21,576
Latvia		79	3,539	7,222	18	0	10,858
Lithuania		60	5,795	3,142	266	0	9,263
Russia		0	9,067	87	21	0	9,175
Other countries		109	49	2	0	0	160
Intersegment revenue		245	0	8	21	-274	0
Total revenue of the segment		**30,002**	**26,437**	**19,837**	**1,276**	**-274**	**77,278**
Segment EBITDA from operations		1,454	3,404	-569	536	0	4,825
Unallocated EBITDA from operations							-410
Total EBITDA from operations [2]							**4,415**
Segment EBITDA		4,126	3,404	-569	536	0	7,497
Unallocated EBITDA (expenses of the Parent company)							-410
Total EBITDA							**7,087**
Depreciation and amortisation		-1,102	-1,531	-803	-26	0	-3,462
Unallocated depreciation and amortisation							-556
Total depreciation and amortisation	Note 26						**-4,018**
Operating profit of the segment		3,024	1,873	-1,372	510	0	4,035
Unallocated operating profit							-966
Total operating profit							**3,069**
Investments		1,505	336	105	12	0	1,958
Unallocated							19
Total investments	Notes 13,14						**1,977**
Inventories	Note 7	3,232	3,140	2,178	0	0	8,550
Biological assets	Note 8	8,361	0	0	0	0	8,361

[2] EBITDA before fair value adjustment on biological assets (EUR 1,022 thousand),one-off insurance compensation (EUR 1,808 thousand) and other one-off expenses (EUR -158 thousand).

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Non-current assets[1] by location	**2011** EUR '000	**2010** EUR '000
Finland	4,655	4,814
Estonia	14,630	15,322
Latvia	5,354	6,173
Lithuania	8,040	8,205
Russia	3,790	4,296
Sweden	1,901	1,929
Total	**38,370**	**40,739**

[1] Non-current assets, except for financial assets and investments in associates

Revenue from clients whose sales are higher than 10% of consolidated revenues	**2011** EUR '000	**2010** EUR '000
Client 1	17,545	13,662
Client 2	11,519	8,423
Total	**29,064**	**22,085**

Note 22 Cost of goods sold

	2011 EUR '000	**2010** EUR '000
Cost of goods purchased for sale	-22,644	-18,497
Materials used in production	-31,218	-29,625
Staff costs (Note 25)	-5,253	-4,744
Depreciation and amortisation (Note 26)	-1,851	-1,711
Other costs of goods sold [1]	-4,396	-4,031
Total cost of goods sold	**-65,362**	**-58,608**

[1] Other costs of goods sold includes expenses related to production and fish farming assets (rent, maintenance, insurance, utilities, etc.), staff-related costs and other expenses and subcontracted services.

Note 23 Sales and marketing expenses

	2011 EUR '000	**2010** EUR '000
Advertising, marketing and product development	-2,321	-1,909
Transportation and logistics services	-4,121	-2,467
Staff costs (Note 25)	-4,941	-4,927
Rent of warehouse premises	-1,730	-1,444
Depreciation and amortisation (Note 26)	-1,441	-1,655
Merchandising services	-746	-229
Utilities	-540	-568
Rent of sales offices	-361	-133
External services	-338	-268
Other sales and marketing expenses [1]	-1,584	-1,539
Total sales and marketing expenses	**-18,123**	**-15,139**

[1] Other sales and marketing expenses include maintenance of equipment and buildings, insurance, staff-related costs and other services

in thousands of euros

Note 24 General and administrative expenses

	2011 EUR '000	2010 EUR '000
Staff costs (Note 25)	-2,082	-1,586
Depreciation and amortisation (Note 26)	-673	-652
Consulting and advisory services	-292	-186
Information and communication services	-271	-261
Legal services	-263	-208
Transportation expenses	-253	-214
Business trips and costs of entertaining guests	-132	-146
Other general and administrative expenses [1]	-694	-741
Total general and administrative expenses	**-4,660**	**-3,994**

[1] Other general and administrative expenses include subcontracted services, staff-related costs and other expenses.

Note 25 Staff costs

	2011 EUR '000	2010 EUR '000
Wages and salaries	-9,460	-8,774
Social security tax and other labour taxes	-2,795	-2,483
Option programme expense	-21	-0
Total staff costs (Notes 22,23,24)	**-12,277**	**-11,257**
Number of employees at end of the period	695	797
Average number of employees during the year	822	813

Staff costs are included in the lines of the statement of comprehensive income "Cost of goods sold", "General and administrative expenses" and "Sales and marketing expenses".

Note 26 Depreciation and amortisation

	2011 EUR '000	2010 EUR '000
Depreciation (Note 13)	-3,260	-3,338
Amortisation (Note 14)	-705	-680
Total depreciation and amortisation (Notes 21,22,23,24)	**-3,965**	**-4,018**

Depreciation and amortisation expenses are included in the lines of the statement of comprehensive income "Cost of goods sold", "General and administrative expenses" and "Sales and marketing expenses".

Note 27 Other income and expenses

	2011 EUR '000	2010 EUR '000
Gain/loss on disposal and write-off of non-current assets	-73	62
Income from government grants (Note 19)	396	387
Insurance reimbursement	0	1,808
Other income	331	554
Other expenses	-169	-301
Total other income/expenses	**485**	**2,510**

At 28 June 2010, AS Premia Foods's subsidiary Heimon Kala Oy and the insurance company Fennia concluded an agreement for reimbursement of losses incurred due the fire at Uusikaupunki production unit of Heimon Kala Oy at 20 May 2010 in the amount of EUR 2,900 thousand. Considering the large amount of the insurance reimbursement received, in order to ensure fair comparability, one-off expenses related to this particular accident have been offset in the total amount of EUR 1,092 thousand in accordance with IAS 1.

in thousands of euros

Note 28 Finance income and costs	2011 EUR '000	2010 EUR '000
Interest income	5	30
Other finance income	4	3
Foreign exchange gains / losses	-150	62
Interest expenses	-563	-972
Other finance costs	-165	-501
Total	**-869**	**-1,378**

Note 29 Income tax expenses

	2011 EUR '000	2010 EUR '000
Profit (loss) before tax (consolidated)	-698	1,691
Income tax calculated at applicable tax rates	-417	-200
Impact to calculated income tax of:		
income tax expense on dividends	-103	0
expenses not deductible from taxable income (+)	348	454
tax-free income and tax incentives	-3	-23
tax losses used and carried forward (- / +)	319	-620
Income tax expense /-income	144	-389
Current income tax expense	440	-693
Deferred income tax expense / -income (Note 10)	-296	304
Effect on income statement	**144**	**-389**

Note 30 Earnings per share

Earnings per share have been calculated by dividing the net profit attributable to the shareholders of the Parent Company by the average number of shares for the period.

	2011	2010
Average number of shares (in thousand)	38,664	26,380
Net profit attributable to equity holders of the company (EUR '000)	- 554	1 288
Earnings per share (EUR)	**- 0.01**	**0.05**

As the effect of potential ordinary shares is insignificant, the diluted earnings per share equal basic earnings per share.
As at 31 December 2011, the company had 38,682,860 shares (31.12.10: 38,682,860) and 19,163 treasury shares (31.12.10: 19,163). See also Note 20.

Note 31 Related party transactions

The Company considers parties to be related when one party has control over the other party or has significant influence over the business decision of the other party.

Related parties include:
- shareholders with significant influence (the largest shareholder of Premia Foods is the international investment fund Amber Trust II S.C.A)
- members of the Supervisory Board and members of all management board of group entities
- close family members of the persons mentioned above and the companies related to them

in thousands of euros

In the financial year, group entities have performed purchase and sales transactions as follows:

EUR '000

Name of the party EUR '000	Type of transaction	2011 Purchases	2011 Sales	2010 Purchases	2010 Sales
Amber Trust II S.C.A.	interest	-	-	300	-
Companies related to member of Supervisory and Management Boards	services	135	2	130	14
	non-current assets	2	3	-	-
	Total	**137**	**5**	**430**	**14**

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

As at the balance sheet date, the balances of the Group's receivables from related parties and payables to related parties were as follows:

Debtor	Receivables and prepayments	Receivable as at 31.12.11 EUR '000	Receivable as at 31.12.10 EUR '000
Amber Trust S.C.A.	Other receivables	-	110
Companies related to members of the Management and Supervisory Boards	Other receivables	2	7
Total		**2**	**117**

Creditor	Payables and prepayments	Payables as at 31.12.11 EUR '000	Payables as at 31.12.11 EUR '000
Amber Trust II S.C.A	Loan interest	-	37
	Other payables	-	1,200
Companies related to members of the Management and Supervisory Boards	Trade payables	9	15
	Other payables	1	-
Total		**10**	**1,252**

As at 31.12.2010, other payables to Amber Trust II S.C.A. are related to the liability that arose at purchase of the treasury shares of AB Premia KPC in 2008 in the amount EUR 1,200 thousand.

The receivables from the related parties have not been written down.

Remuneration of the members of the Management and Supervisory Boards of AS Premia Foods and its subsidiaries and other key managers:

	2011 EUR '000	2010 EUR '000
Short-term benefits	961	828
Termination benefits	0	61
Total	**961**	**889**

The members of the Management and Supervisory Boards do not get any pension-related rights from the Company. The members of the Management Board are entitled to termination benefits. The maximum expense related to payment of termination benefits totals EUR 104 thousand (2010: EUR 104 thousand).

Option programme
At 20 December 2010, the Supervisory Board of the public limited company approved the terms and conditions of the option programme of the Management Board and key employees according to the terms specified in the offering and listing prospectus of 21 April 2010. More detailed information is disclosed in Note 20.

Note 32 Contingent liabilities and assets

Contingent liability related to income tax on dividends

As at 31 December 2011, the Group's retained earnings totalled EUR 890 thousand (31 December 2010: EUR 1,831 thousand). From 1 January 2009, the income tax expense related to the payment of dividends to the owners amounts to 21/79 of the amount paid out as net dividends. Thus, it is possible to pay out EUR 703 thousand as dividends to the owners out of retained earnings accumulated until the balance sheet date (31 December 2010: 1,446 thousand) and the income tax on dividends would amount to EUR 187 thousand (31 December 2010: EUR 385 thousand).

Contingent liabilities related to bank loans

In accordance with the terms and conditions of loan agreements, the borrower needs to comply with certain covenants for financial ratios, as the net debt to EBITDA ratio and certain restrictions set on taking out new loans. As at the balance sheet dates of 31.12.2011 and 31.12.10, the Group was in compliance with the financial covenants.

Contingent liabilities related to the Tax Board

Tax authorities may at any time inspect the tax 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, interest and fines. Tax authorities did not issue any precept to the entities as a consequence of tax audits. The Parent Company's management is not aware of any circumstances which may give rise to a potential material liability to Group companies in this respect

Contingent liabilities related to EU grants

A real estate mortgage has been set on the assets with the carrying amount of EUR 98 (2010: EUR 359) thousand as collateral for the EU grants paid to the Swedish subsidiary Överumans Fisk Ab.

Contingent liabilities related to the rental guarantee

The Group has issued a bank guarantee in the amount of EUR 585 (2010: 565) thousand for the benefit of the lessor of the premises at Betooni 4 to cover lease payments.

Contingent liabilities related to the Customers Board

In Finland, a mortgage was set in October 2011 for the benefit of the Customs Board, to cover the customs duties over a 30-day payment term in the amount of EUR 84 thousand.

Note 33 Events after the balance sheet date

Merger of Latvian subsidiaries SIA F.F.L.S and AS Premia FFL

At 21 December 2011, SIA F.F.L.S. and AS Premia FFL concluded a merger agreement and the shareholders of merging companies adopted a resolution regarding the merger in accordance with Latvian laws. Pursuant to the merger agreement, AS Premia FFL is the acquiring company and SIA F.F.L.S. will be merged with AS Premia FFL. With the merger, all assets of SIA F.F.L.S. will completely transferred to AS Premia FFL and SIA F.F.L.S. will be considered as liquidated after the completion of the merger.

SIA F.F.L.S. is a holding company with no independent economic operations. The goal of the proposed merger is to make the structure of Premia Group clearer, more logical and transparent. The merger was completed on 29 March 2012.

Note 34 Supplementary disclosures about the parent company of the Group

Pursuant to the Accounting Act of the Republic of Estonia, the separate (primary) financial statements of the consolidating entity (parent company) have to be disclosed in the notes to the consolidated financial statements. In preparing the separate primary financial statements of the Parent Company, the same accounting policies have been applied as in preparing the consolidated financial statements.

In the Parent Company's financial statements, which are disclosed in the notes to these financial statements (supplementary information about the Parent Company of the Group), investments in the shares of subsidiaries are measured at cost, less any impairment losses.

in thousands of euros

Statement of financial position

as at 31 December	31.12.2011 EUR '000	31.12.2010 EUR '000
Cash	10	82
Short-term financial investments	1,850	7,840
Receivables and prepayments	958	825
Total current assets	**2,818**	**8,747**
Investments in subsidiaries	33,239	27,003
Long-term financial investments	11,722	12,549
Property, plant and equipment	174	1
Intangible assets	935	0
Total non-current assets	**46,070**	**39,553**
Total assets	**48,888**	**48,301**
Loans	1,998	2,691
Payables and prepayments	1,649	114
Total current liabilities	**3,647**	**2,805**
Loans	6,547	6,458
Other long-term payables	51	0
Total non-current liabilities	**6,598**	**6,458**
Total liabilities	**10,245**	**9,263**
Share capital	23,210	24,723
Share premium	16,026	14,513
Treasury shares	-30	-30
Other reserves	21	0
Retained losses	-584	-168
Total equity	**38,643**	**39,038**
Total liabilities and equity	**48,888**	**48,301**

in thousands of euros

Statement of comprehensive income

For the year ended 31 December	2011 EUR '000	2010 EUR '000
Revenue	399	217
Cost of goods sold	-1	0
Gross profit	**398**	**217**
Sales and marketing expenses	-4	0
Administrative and general expenses	-921	-560
Other income/-expenses	3	0
Operating profit	**-524**	**-343**
Finance income	1,231	750
Finance costs	-474	-413
Profit before income tax	**233**	**-6**
Income tax	-103	0
Net profit for the period	**130**	**-6**
Total comprehensive income	**130**	**-6**

in thousands of euros

Cash flow statement

	2011 EUR '000	2010 EUR '000
Cash flows from operating activities		
Net profit	**130**	**-6**
Adjustments:		
Depreciation, amortisation and impairment	15	0
Proceeds from sale of non-current assets	-3	0
Gain from associates under the equity method	-3	0
Other non-monetary changes	506	-727
Changes in receivables and prepayments	-268	425
Changes in payables and prepayments	-906	-76
Corporate income tax paid	-103	0
Net cash used in operating activities	**-632**	**-384**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	13	0
Acquisition of property, plant and equipment	-46	0
Net cash flow from acquisition of subsidiaries	0	-1
Paid for acquisition of associate	0	-13
Change in cash pool account	903	-708
Loans granted	-2,352	-14,001
Repayments of loans granted	1,580	1,574
Interest received	435	171
Net cash used in investing activities	**533**	**-12,978**
Cash flows from financing activities		
Change in overdraft facility	636	0
Change in cash pool account	1,328	0
Borrowings	1,361	6,332
Repayments of borrowings	-2,539	-5,707
Payments of finance lease principal	-7	0
Issue of shares	0	12,210
Dividends paid	-387	0
Interest paid	-357	-140
Net cash generated from financing activities	**35**	**12,695**
NET CASH FLOWS:	**-64**	**-667**
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of the year	**82**	**758**
Net change in cash and cash equivalents	-64	-667
Foreign exchange gains/losses	-8	-9
Cash and cash equivalents at end of the year	**10**	**82**

in thousands of euros

Statement of changes in equity

Restated unconsolidated equity is used as the basis for distributable equity in accordance with the Accounting Act of Estonia.

EUR '000

	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	**Total equity**
Balance at 31 December 2009	**1 546**	**25 481**	**-255**	**0**	**-65**	**26 707**
Bonus issue	13,910	-13,910	0	0	0	**0**
Issue of shares	9,267	2,942	0	0	0	**12,209**
Transfer of treasury shares	0	0	128	0	0	**128**
Loss on transfer of treasury shares	0	0	97	0	-97	**0**
Comprehensive income for the reporting period	0	0	0	0	-6	**-6**
Total change	**23,177**	**-10,968**	**225**	**0**	**-103**	**12,331**
Balance at 31 December 2010	**24,723**	**14,513**	**-30**	**0**	**-168**	**39,038**
Carrying amount of interests under control and significant influence						-27,003
Value of interests under control and significant influence under the equity method						29,337
Adjusted unconsolidated equity at 31 December 2010						**41,372**
Fair value cost of option programme	0	0	0	21	0	**21**
Reduction of nominal value of share	-1,513	1,513	0	0	0	**0**
Loss due to merger of Premia Foods AS and OÜ TCS Invest	0	0	0	0	-159	**-159**
Dividends	0	0	0	0	-387	**-387**
Comprehensive income for reporting period	0	0	0	0	130	**130**
Total change	**-1,513**	**1,513**	**0**	**21**	**-416**	**-395**
Balance at 31 December 2011	**23,210**	**16,026**	**-30**	**21**	**-584**	**38,643**
Carrying amount of interests under control and significant influence						-33,239
Value of interests under control and significant influence under the equity method						35,104
Adjusted unconsolidated equity at 31 December 2011						**40,508**

in thousands of euros

Statement of the Management and Supervisory Boards

The Management Board has prepared the management report and consolidated financial statements of AS Premia Foods for the year ended 31 December 2011.

Chairman of the Management Board	Kuldar Leis	…………………………………	April 9, 2012
Member of the Management Board	Silver Kaur	…………………………………	April 9, 2012
Member of the Management Board	Katre Kõvask	…………………………………	April 9, 2012

The Supervisory Board of AS Premia Foods has reviewed the annual report prepared by the Management Board which consists of the management report, consolidated financial statements, profit allocation proposal of the Management Board and independent auditor's report, and approved it for presentation at the General Meeting of Shareholders.

Chairman of the Supervisory Board	Indrek Kasela	…………………………………	April , 2012
Member of the Supervisory Board	Lauri Kustaa Äimä	…………………………………	April , 2012
Member of the Supervisory Board	Harvey Sawikin	…………………………………	April , 2012
Member of the Supervisory Board	Aavo Kokk	…………………………………	April , 2012
Member of the Supervisory Board	Jaakko Karo	…………………………………	April , 2012
Member of the Supervisory Board	Erik Haavamäe	…………………………………	April , 2012

INDEPENDENT AUDITOR'S REPORT

(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 of 31 December 2011 and the consolidated statement of comprehensive income, 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.

Management Board's Responsibility for the Consolidated Financial Statements

Management Board is responsible for the preparation, and true 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 the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation, and true 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 give a true and fair view of the financial position of AS Premia Foods and its subsidiaries as of 31 December 2011, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

Ago Vilu	Lauri Past
Auditor's Certificate No.325	Auditor's Certificate No.567

9 April 2012

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* *This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

PROFIT ALLOCATION PROPOSAL

As at 31.12.2011, the retained earnings of AS Premia Foods Group total EUR 890 thousand.

The Management Board of AS Premia Foods proposes to the General Meeting of Shareholders to pay dividends out of retained earnings accumulated until 31 December 2011 in the amount of EUR 387 thousand, i.e. EUR 0.01 per share.

Chairman of the Management Board	Kuldar Leis	....	April 9, 2012
Member of the Management Board	Silver Kaur	....	April 9, 2012
Member of the Management Board	Katre Kõvask	....	April 9, 2012