



## **AS PREMIA FOODS**

**Consolidated Unaudited Interim Report  
for 2<sup>nd</sup> quarter and 6 months of 2011**



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Main areas of activity:	Production of ice cream Wholesale of food products Production and sale of fish products Fish farming
Reporting period:	1 January 2011 – 30 June 2011
Auditor:	AS PricewaterhouseCoopers



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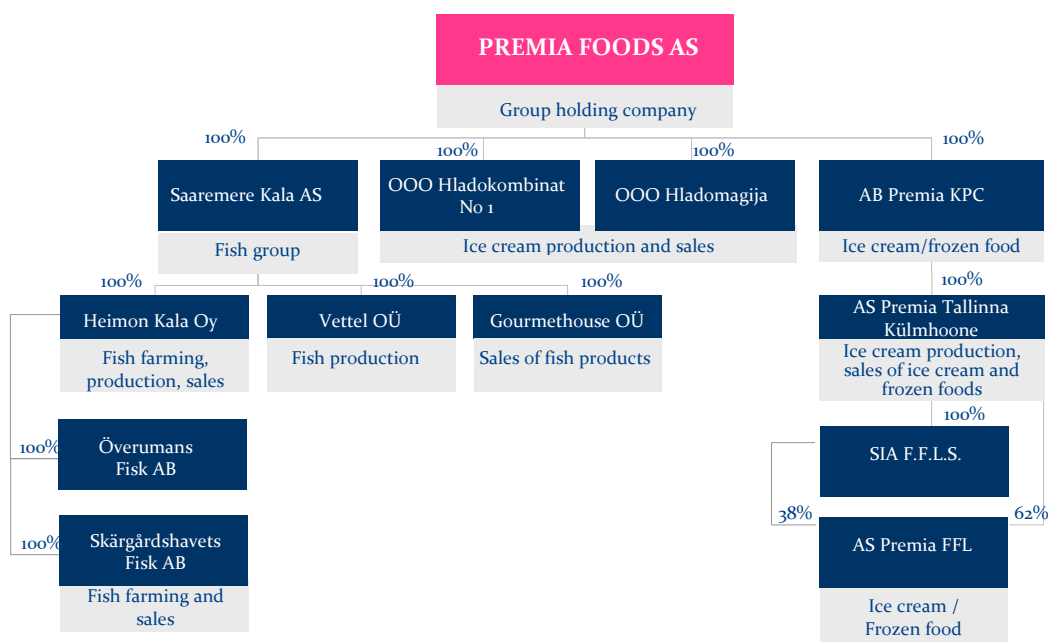
## ACTIVITIES REPORT BY THE MANAGEMENT BOARD

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

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

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

### Structure of the Premia Foods group of companies:



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



## SUMMARY OF FINANCIAL RESULTS

### AS Premia Foods unaudited financial report, 2<sup>nd</sup> quarter and 6 months of 2011

#### 2<sup>nd</sup> quarter

Sales 27.6 million euro, increasing by 6.3 million euro, i.e. by 30%.

Gross margin 29.5%, increasing by 3.7 percentage points year on year basis

Gross profit 8.1 million euro, increasing by 2.6 million euro, i.e. 47%

EBITDA from operations, i.e. before the fair value adjustment of the livestock, was 2.7 million euro, increasing by 0.9 million euro, i.e. 53%.

Net profit 1.1 million euro, increasing by 0.3 million euro, i.e. 38%.

#### 6 months

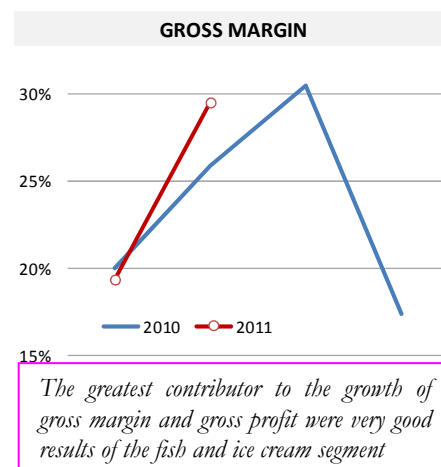
Sales 44.2 million euro, increasing by 8.0 million euro, i.e. by 22%.

Gross margin 25.7%, increasing by 2.3 percentage points year on year basis.

Gross profit 11.4 million euro, increasing by 2.9 million euro, i.e. 34%.

EBITDA from operations 2.1 million euro, which is on the same level as in 2010.

Net loss of 0.9 million euro.



The group's key ratios of the 2<sup>nd</sup> quarter and first half year have been indicated in the following table.

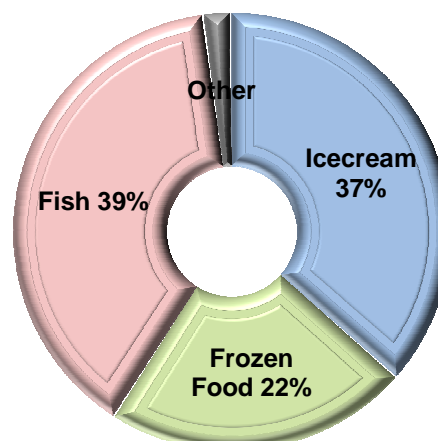
				KEY RATIOS			
<i>Profit &amp; Loss, EUR mln</i>		<i>formula</i>					
		Q1	Q2	6m 2011	Q1	Q2	6m 2010
Sales		16,7	27,6	44,2	15,0	21,3	36,3
Gross profit		3,2	8,1	11,4	3,0	5,5	8,5
EBITDA from operations before fair value adjustment		-0,6	2,7	2,1	0,4	1,8	2,1
EBITDA		-1,3	2,2	0,9	0,0	2,2	2,2
EBIT		-2,3	1,2	-1,1	-0,9	1,3	0,3
Net profit		-2,0	1,1	-0,9	-1,1	0,8	-0,4
Gross margin		Gross profit / Net sales			19,4%	29,5%	25,7%
EBITDA margin		EBITDA / Net sales			20,0%	25,8%	23,4%
EBIT margin		EBIT / Net sales			0,0%	10,3%	6,1%
Net margin		Net earnings / Net sales			-7,8%	8,0%	2,0%
Operating expense ratio		Operating expenses / Net sales			-13,8%	4,4%	-2,5%
		-11,9%	4,0%	-2,0%	-7,6%	3,6%	-1,1%
		29,6%	23,4%	25,7%	25,1%	24,0%	24,4%
<i>Balance Sheet, EUR mln</i>		<i>formula</i>					
		31.12.10	31.03.11	30.06.11	31.12.09	31.03.10	30.06.10
Net debt		11,2	14,5	13,0	18,5	20,1	10,2
Equity		41,4	39,4	40,1	27,7	26,6	39,6
Working capital		Current Assets - Current Liabilities			12,8	12,1	12,9
Assets		68,9	68,9	70,6	3,3	2,7	8,5
Liquidity ratio		Current Assets / Current Liabilities			62,8	62,4	74,6
Equity ratio		Equity / Total Assets			1,87	1,75	1,73
Gearing ratio		Net Debt / (Equity + Net Debt)			1,15	1,12	1,36
Net debt-to-EBITDA		Net Debt / Trailing 12m EBITDA			60%	57%	57%
ROE		12m Net Earnings / Average Equity			44%	43%	53%
ROA		12m Net Earnings / Average Assets			21%	27%	24%
		1,58	2,50	2,24	40%	43%	21%
		4%	1%	2%	2,98	3,15	1,65
		2%	1%	1%	3%	5%	3%
		2%	1%	1%	1%	2%	2%

## BUSINESS SEGMENT ANALYSIS

The greatest proportions in the product portfolio of Premia Foods during the first half year are held by the fish and ice cream business segments, representing respectively 39% and 37% of the whole product portfolio, the respective number of the frozen goods business segment is 22% of the total turnover (see the chart on the right).

The main target market for fish and fish products business segment is Finland, for ice cream business segment the Baltic states and St. Petersburg region. Frozen goods are sold in Estonia, in Latvia and in Lithuania.

As at today, Premia Foods operates in five target markets and three business segments, whereas Premia is represented among two leading brands in all its target markets and in business segments.



Breakdown of turnover by business segments, first half year 2011

The associations between business segments and geographical markets have been summarized in the following chart, where the volumes of segments in the total turnover per target markets have been indicated. From that chart it may be concluded that 33.0% of the total turnover of Premia Foods in the first half year of 2011 is generated from fish and fish products sold in the Finnish market, 22.5% from frozen food sold in the Baltics and 22.4% from ice cream sold in the Baltics.

### SEGMENT SHARE FROM TOTAL SALES (6 months 2011)

Other	0,1%	1,2%	0,0%	0,4%	0,2%	0,0%
Fish	33,0%	5,4%	0,1%	0,3%		0,2%
Frozen Food		10,7%	8,1%	3,7%	0,0%	
Icecream	0,5%	10,3%	5,1%	7,0%	13,8%	
SEGMENT MARKET	Finland	Estonia	Latvia	Lithuania	Russia	Other regions



The main figures by business segments of Premia Foods for 2<sup>nd</sup> quarter and 6 months:

				SEGMENT ANALYSIS		
EUR million	Q1	Q2 6m 2011		Q1	Q2 6m 2010	
<u>Sales</u>						
Ice cream	4,0	12,2	16,3	1,9	9,2	11,1
Frozen food	4,9	5,0	10,0	5,0	5,1	10,1
Fish and fish products	7,4	9,8	17,2	7,8	6,7	14,5
Other	0,3	0,5	0,8	0,3	0,2	0,5
<b>Total</b>	<b>16,7</b>	<b>27,6</b>	<b>44,2</b>	<b>15,0</b>	<b>21,3</b>	<b>36,3</b>
<u>Gross profit</u>						
Ice cream	1,0	5,3	6,3	0,8	3,8	4,5
Frozen food	1,1	0,9	2,1	1,1	1,1	2,3
Fish and fish products	1,0	1,8	2,7	1,4	0,2	1,5
<u>Gross margin</u>						
Ice cream	26%	43%	39%	40%	41%	41%
Frozen food	23%	19%	21%	22%	22%	22%
Fish and fish products	13%	18%	16%	18%	2%	11%
<u>EBITDA from operations</u>						
<u>(before fair value adjustment)</u>						
Fish and fish products	0,2	0,9	1,1	0,3	0,2	0,5
<u>EBITDA</u>						
Ice cream	-0,4	2,0	1,5	0,1	1,6	1,7
Frozen food	-0,3	0,1	-0,1	-0,3	-0,1	-0,4
Fish and fish products	-0,5	0,4	-0,1	0,0	0,6	0,6
<u>EBIT</u>						
Ice cream	-0,8	1,5	0,7	-0,1	1,2	1,1
Frozen food	-0,5	0,1	-0,4	-0,5	-0,2	-0,8
Fish and fish products	-0,8	0,1	-0,7	-0,3	0,3	0,0

In the 2<sup>nd</sup> quarter the improvement of turnover and profitability is generated by ice cream and fish business segments. The turnover of frozen goods has remained on the same level as in the 2<sup>nd</sup> quarter last year, but during the same period the ratios of EBITDA and operating profit have improved.

### Fish and fish products business segment

The fish and fish products business segment continues to grow by turnover and profitability, generating the greatest proportion of the turnover of the company and being on the second position in the business segments of the company as to gross profit and EBITDA.

The fish and fish products business segment has achieved **remarkable growth in turnover**, having generated 9.8 million euro turnover in the 2<sup>nd</sup> quarter, whereas the growth compared to 2010 was 3.1 million euro, i.e. 46%. The fish and fish products business segment generated additional turnover in the amount of 2.8 million euro, which means 19% growth in turnover in comparison with the same period last year.

From Finland, which is the main target market of chilled fish products, the company generated additional turnover of 1.3 million euro in the first half year in comparison with the year 2010 (growth 10%).

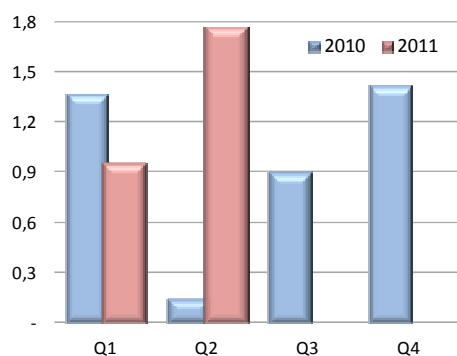
Estonian market generated the additional 1.3 million euro in the turnover of this segment, which means that the turnover of chilled fish products in Estonian increased 2.2 times compared to the last year.

In Latvia and in Lithuania, the sales of chilled fish products also continue to grow and the volumes increased more than 4 times in both of the markets, generating additional turnover in the amount of 132 thousand euro.

The **gross margin** of the fish business segment in the 2<sup>nd</sup> quarter has improved significantly compared to year 2010. While the results of the 2<sup>nd</sup> quarter last year were influenced by the fire accident in Uusikaupunki production unit, then this year Premia has achieved its objectives in the volumes and in profitability of the fish segment.

The gross margin of the fish segment in the 2<sup>nd</sup> quarter was 18% and the **gross profit** was 1.8 million euro, which is 10 times i.e. 1.6 million euro more than in the last year. The gross margin of the first half year was 16%, which is 5 percentage points more than in 2010 and during the period at hand the company generated gross profit in the amount of 2.7 million euro, which is 1.2 million euro, i.e. 78 % more than in 2010.

**FISH SEGMENT GROSS PROFIT, mln eur**



The **operational EBITDA** of the fish segment, i.e. before revaluation of the livestock, was 0.9 million euro in the 2<sup>nd</sup> quarter, growing by 0.7 million euro i.e. 5.2 times year on year basis. The operational EBITDA of the fish segment was 1.1 million euro in the first half year, having increased altogether 2.2 times.

The reasons for the good results in the fish segment are the recovery of production volumes as well as launch of new products and more active participation in retail campaigns, including participation in Easter related sales campaigns in Finland, Estonia and in the Baltics. In Finland, Premia's trade mark Heimon Gourmet continues among two leading brands and in the Baltics fish products trademark Viking (which celebrated its first anniversary in the market) is generating good sales results in the market of chilled and frozen fish products. The subsidiary of Premia GourmetHouse

has also been very active in sales in the Estonian market of chilled fish as the volumes have increased more than two times compared to the last year.

### Ice cream business segment

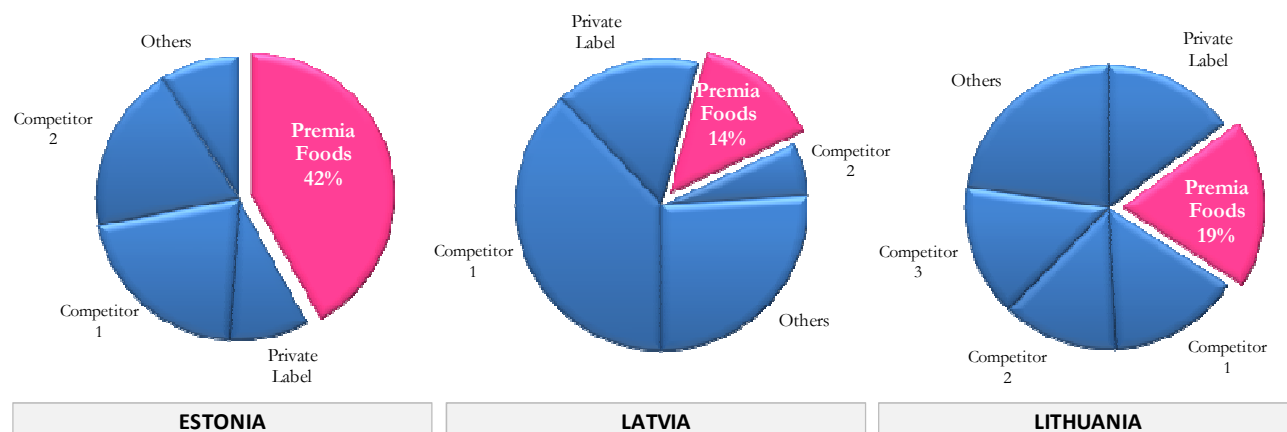
The greatest contributor to the growth in turnover was continuously the ice cream business segment, having grown by 3.0 million euro i.e. 33% in the 2<sup>nd</sup> quarter and by 5.2 million euro, i.e. 47 % in first half year. In the first half year, the turnover generated from the ice cream business segment was altogether 16.3 million euro.

The most successful ones were the Estonian and Latvian markets, where the growth in turnover in the first half year was 47%, which means that the markets at hand generated additional turnover in the respective amounts of 1.4 million euro and 723 thousand euro. The growth of the sales of ice cream in Lithuania during the same period was 12%, which resulted in 327 thousand euro additional turnover and the St. Petersburg' market generated additional turnover of 2.7 million euro if compared with the same period last year.

Significant growth numbers in all the target markets have been achieved due to strong brand portfolio and marketing campaigns launched in a correct and timely manner.

Premia continues as the leader of the Estonian ice cream market, whereas in Estonia the company outperforms the nearest competitor by two times. The division of market shares in the Baltics is depicted on the following chart.

**Baltic ice cream market – monetary market share in the 2<sup>nd</sup> quarter 2011**



Source: AC Nielsen, evaluation of management





The number one ice cream on the Estonian market is still Premia's cone vanilla ice cream *Eriti Rammus* with the monetary market share of 7%, whereas the Eriti Rammus product family holds approximately 16% market share in Estonia. The launch of a stick ice cream called Vana Toomas in Estonia was successful and well-known Väike Tom is continuously among the leading trademarks. In Latvia and in Lithuania the leading trademark of Premia is Klasika and in all the Baltic markets the tendency of growth in preference of domestic trademarks and cream ice creams may be noticed. Characteristically to summer and due to before mentioned factors the share of the private labels in the Baltics in the 2<sup>nd</sup> quarter has decreased.

In the St. Petersburg market Khladokombinat No. 1 continues among market leaders, having approximately 22% market share. The first half year in St. Petersburg market was busy dealing mainly with the relocating of the production and logistics units. This resulted in ending the production operations in the premises located in the city centre of St. Petersburg and production operations were continued in the ice cream factory of OOO Leda located in 160 km outside St. Petersburg. In addition to the relocation of production operations, all the logistics operations were fully outsourced with the purpose of modernisation of logistics operations and the previously operated logistics unit of Khladokombinat No. 1 was closed. The main goal of the relocation of the production unit and the reprofiling of logistics operations is to increase the flexibility of production and the efficiency of the logistics of the products marketed under trademarks the trademarks of Khladokombinat No. 1.

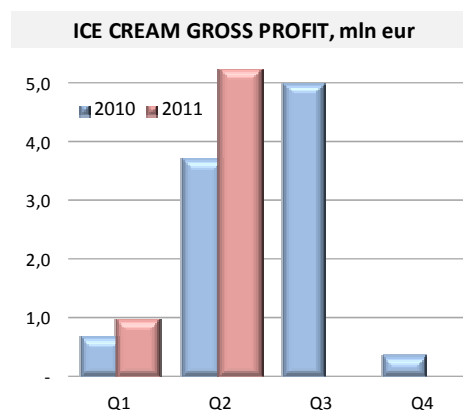
During the relocation the company also made changes in trademark and product portfolio, terminating the production of less popular products with the objective to focus on profitability by developing existing trademarks. All three leading trademarks – Sakharny Rozhok, Etalon and Baltiskoje have been supported by new products but also by other marketing campaigns supporting the sales of products.

**The ice cream business segment was the greatest contributor to the profitability of Premia, providing Premia with the greatest input to the gross profit, EBITDA and revenue in the 2<sup>nd</sup> quarter as well as in the first half year.**

The **gross margin** of the ice cream business segment increased up to 43% in the 2<sup>nd</sup> quarter, growing by 2 percentage points year on year basis, the average gross margin for the first half year was 39%, which is also the planned margin of profitability.

In the 2<sup>nd</sup> quarter Premia generated 5.3 million euro **gross profit** in the ice cream business segment, which is 1.5 million euro, i.e. 41% more than in the same period 2010. While summarising the half year, company earned 6.3 million euro of gross profit from the ice cream business segment, which is 1.8 million euro, i.e. 40% more than in first half year 2010.

The **EBITDA** of the ice cream business segment was 2 million euro in the 2<sup>nd</sup> quarter, growing by 0.4 million euro, i.e. by 25% year on year basis. In the first half year Premia earned EBITDA of 1.5 million euro from the ice cream business segment, which will fall short by 0.2 million euro if compared to the first half year of 2010.



### Frozen goods business segment

The frozen goods business segment continues in a strong and stable manner.

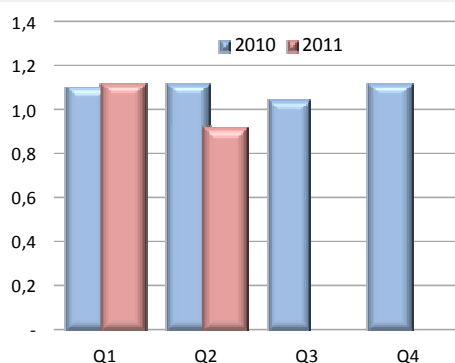
The turnover of the segment in the 2<sup>nd</sup> quarter was on comparable level with same period last year (5 million euro in 2011 and 5.1 million euro in 2010) and in the turnover of frozen goods business segment during the first half year was 10 million euro, which is 0.1 million euro less than during the same period in 2010.

From all the Premia's business segments, the economic crisis had the most severe consequences on the frozen goods business segment due to the fact that a great proportion of its turnover was generated from HoReCa and that Latvia suffered the most, being Premia's main target market in the frozen goods business segment. Recovery in this business segment is more time-consuming if compared to fish or ice cream business segments, especially in the Latvian market; nevertheless, Premia has managed to keep the sales volumes at the same level and ensure planned profitability. The Lithuanian market, as expected, has generated the greatest proportion of the turnover of this business segment, where the growth in the first half year was 16 %, which resulted in additional turnover amounting to 162 thousand euro if compared with the same period last year.

The **gross margin** of the frozen goods business segment was 19% in the 2<sup>nd</sup> quarter and 21% in the first half year, which is 1 percentage point less than in the first half year of 2010. In the 2<sup>nd</sup> quarter Premia resulted in **gross profit** in the amount of

0.9 million euro generated from this business segment, while the same number for the first half year is 2.1 million euro, which is 0.2 million euro less than during the first half year 2010.

**FROZEN FOOD GROSS PROFIT, mln eur**



In the 2<sup>nd</sup> quarter the **EBITDA** generated from the frozen goods business segment was 0.1 million euro, which is 0.2 million euro more than in the same period last year. The total amount of EBITDA of the frozen goods business segment for the half year was -0.1 million euro, which means that the respective result has improved by 0.3 million euro (EBITDA for the first half year of 2010 was -0.4 million euro).

In the frozen goods business segment Premia continues to develop its trademarks Maahärä, Pealinna, Bueno! and Natali and simultaneously efforts are being made to increase sales volumes of frozen goods in HoReCa sector. In Latvia the recovery from the economic crisis is more time-consuming and also the pressure on prices is higher but as in other target markets of Premia, the main focus in Latvia is placed on brand building and on expansion of product portfolio. The frozen goods business segment as a whole has a material role on scaling out the

seasonality of the ice cream business segment in the first and fourth quarter.

## BUSINESS SEGMENT ANALYSIS BY MARKETS

Among all five geographical target markets of Premia Foods, the greatest proportion in the turnover in the first half year was generated from the Finnish market, which contributed 34% of the total turnover, however, the greatest growth in turnover was achieved in Estonia. In the 2<sup>nd</sup> quarter the turnover increases by markets were from 16% up to 44%, the turnover growths achieved in the first half year were between 10% and 28%.

GEOGRAPHICAL MARKETS						
Sales (EUR million)	Q1	Q2	6m 2011	Q1	Q2	6m 2010
Finland	6,3	8,5	14,9	7,0	6,6	13,5
Estonia	4,7	7,5	12,2	4,3	5,2	9,5
Latvia	2,3	3,6	5,9	2,3	2,9	5,2
Lithuania	1,4	3,6	5,1	1,3	3,1	4,4
Russia	1,9	4,3	6,2	0,0	3,5	3,5
Other	0,0	0,1	0,1	0,1	0,0	0,1

In the 2<sup>nd</sup> quarter of 2011, the **Estonian market** generated additional turnover in the amount of 2.3 million euro, which resulted in 44% turnover growth. In the first half year the Estonian market generated additional turnover in the amount of 2.6 million euro, which resulted in 28% turnover growth if compared to the same period last year. The growth was mainly generated from the sales of ice cream and chilled fish products. With its 12.1 million euro turnover in the first half year Estonia is the second important target market for Premia.

**Russia's** turnover in the 2<sup>nd</sup> quarter was 23%, i.e. 0.8 million euro higher than in 2010. In the 2<sup>nd</sup> quarter, Premia generated from the Russian market additional turnover amounting to 2.7 million euro and with its 6.2 million turnover in the first half year Russia holds the third position among all the target markets of Premia, whereas in the first half year of 2010 only the results of May and June have been reflected in overall numbers as the consolidation was initiated as from 1 May 2010.

As to turnover, the **Finnish market** is in the first position, in the 2<sup>nd</sup> quarter additional 1.9 million euro turnover was earned from this market, the growth was 29%. The growth in the first half year in that market was 10%, which meant 1.3 million euro of additional turnover. The turnover growth was influenced by the launch of new products in the beginning of May but also multiple successful marketing campaigns in the leading Finnish retail chains during the first half year.

In **Latvia**, the turnover growth in the 2<sup>nd</sup> quarter was 0.7 million euro, i.e. 24%. In the first half year the growth in turnover was altogether 0.6 million euro, i.e. 13%. With its 5.9 million euro turnover achieved in the first half year, Latvia is on the fourth position among Premia's target markets. The main sources of turnover growth were successful ice cream sales but also launch of new products. Also, the increase of sales under the trademark Viking is growing rapidly.

The turnover growth in the 2<sup>nd</sup> quarter in **Lithuania** was 0.5 million euro, i.e. 16%. In the first half year the turnover growth in Lithuania reached 14%, i.e. 0.6 million euro. Lithuania holds the fifth position among all the target markets of Premia with its 5.1 million euro turnover achieved in the first half year. The main reasons for the growth in Lithuania were the success of the ice cream business segment and good results in the frozen goods business segment.

## COST ANALYSIS

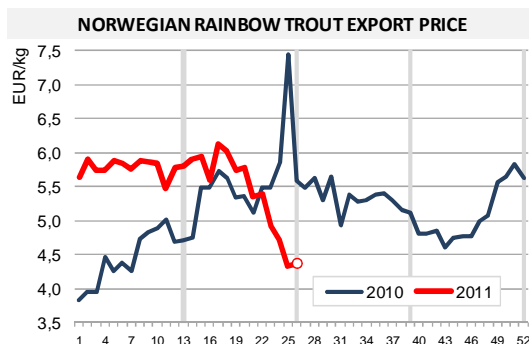
The proportion of operating expenses of Premia Foods in its turnover decreased from 24% to 23.4% in the 2<sup>nd</sup> quarter if compared to the same period last year. The proportion of marketing and sales expenses but also general operating expenses in turnover decreased.

As recommended by auditors but also for ensuring correctness and comparability with previous periods, the accounting of the insurance compensation received as a result of the fire accident in Uusikaupunki production unit in May 2010 has been changed.

Due to the above, while preparing this interim report the insurance compensation has been accrued per quarters, taking into account actual one-off expenses arisen during the period May – December 2010 and the assumed amount of loss of profit.

The above change has no effect on the results of Premia Foods of 12 months 2010. The changes have effect only to the results of the fish segment, where the accounting EBITDA, revenue and net profit per quarters as from the 2<sup>nd</sup> quarter has been corrected. A table where the changes related to the insurance compensation have been described in more detail has been added to Note 1.

One-off expenses related the relocation of production and logistics operations in Russia in the amount of 294 thousand euro were included into the direct and operating expenses of the 2<sup>nd</sup> quarter. In order to ensure sufficient stock of ice cream for the high season in Premia's St. Petersburg's market, ice cream was produced in both – previous and current production units and therefore rental payments were made for using two production units in the total amount of 0.5 million euro. In total the one-off expenses occurred in the 2<sup>nd</sup> quarter amounted up to 2.5% of turnover.



Premia's operational EBITDA, i.e. revenue before the market price driven revaluation of biological assets and amortisation, grew 53%, i.e. 0.9 million euro in the 2<sup>nd</sup> quarter totalling up to 2.7 million euro. In the total numbers of the first half year, the operational EBITDA remained on the same level with the same of the first half year of 2010.

Over 77% of Premia's biological assets in the 2<sup>nd</sup> quarter is the rainbow trout bred in the fish farms in Finland and Sweden and therefore while determining the fair value of the rainbow trout the company uses the export statistics of Norwegian rainbow trout.

As may be concluded from the attached chart, comparable price decreased in the 2<sup>nd</sup> quarter of this year by 20%, while in the 2<sup>nd</sup> quarter of 2010 the respective price increased by 28%. Due to the fluctuation of price, the company suffered a loss in the amount of 0.5 million euro in the 2<sup>nd</sup> quarter arising from the revaluation of livestock, while in the 2<sup>nd</sup> quarter of 2010, the fluctuation of price resulted in profit amounting to 0.4 million euro.

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 last year, the weight of Premia's livestock has at the balance sheet date increased by 16% and in addition to rainbow trout, the proportion of whitefish (*Coregonus lavaretus*), a fish with a higher additional value, is continuously increased.

The EBITDA of the 2<sup>nd</sup> quarter after the revaluation of livestock is 2.2 million euro, remaining at the same level as last year.

The financial expenses of the first half year decreased due to the decrease of interest expenses by 375 thousand euro.

## FINANCIAL POSITION

**Operational cash flow improved in the first half year by 2.4 million euro.** The growth was gained mainly due to more efficient management of working capital. The debt collection period was shortened by 16 days.

**The financial position of the company is continuously solid and the financial risk low.** Due to seasonality of the production operations of the company, the need for working capital is greater shortly before the beginning of ice cream season, i.e. during the period March – May. Due to the above, the company drew down overdraft in the amount of 2.8 million euro.

Financial leverage, i.e. the proportion of net debt in the total capitalisation of the company was 24% (in 30.06.10 the respective ratio was 21%) and the proportion of short-term liabilities in the loan portfolio was 33% (46%). The net debt EBITDA ratio was as at 30.06.11 2.24 (1.65).

The liquidity ratio demonstrating short-term solvency was as at 30.06.2011 1.73 (as at 30.06.10 1.36) and the proportion of equity from the balance sheet total was 57% (53%). The company has working capital in the amount of 12.9 million euro (8.5 million euro).



## BALANCE SHEET ANALYSIS

The consolidated balance sheet total of Premia Foods was as at 30.06.2011 70.6 million euro, having grown by 1.7 million euro, i.e. 2.4% during 6 months.

The company's assets amounted to 30.5 million euro and the balance of bank accounts was 2.1 million euro. As at 30.06.11 the company has undrawn overdraft facility limit in the amount of 1.4 million euro.

Accounts receivable and prepayments amounted 11.10 million euro, 92% of the accounts receivables and prepayments were trade receivables. Compared to the end of June last year, the accounts receivable and prepayments decreased by 11%, whereas the turnover of the same period increased by 22%.

Inventories accounted for 57% of the current assets, 40% of which in turn was livestock. The stock increased compared to 31.12.2010 by 2.4%, i.e. by 0.4 million euro being 17.3 million euro. The livestock decreased by 1.5 million euro during 6 months, which mainly occurred due to the decrease of the price of rainbow trout, which was described in the operating expenses analysis of this interim report. The stock of products, goods for sale and raw material grew by 1.9 million euro during 6 months. The growth was generated due to the pre-production of ice cream occurred due to the relocation of the Russian production unit and the seasonality characteristic to the ice cream business segment.

Accounts payable and prepayments increased, compared to the year end of 2010 by 22.5%, i.e. by 2.1 million euro, amounting up to 11.7 million euro.

Total liabilities increased by 10.7%, i.e. 2.9 million euro, up to 30.5 million euro. Therefrom 15.1 million euro is short-term and long-term loans, having increased by 26%, i.e. 3.1 million euro during 6 months.

The equity of Premia Foods was as of 30.06.2011 40.1 million euro.

## INVESTMENTS

During the accounting period capital, the expenditures into Premia Foods' tangible and intangible assets formed 777 thousand euro of which 46% or 357 thousand euro were made in the fish segment. The investments are eligible for aid from the European Union in the total amount of 49 thousand euro.

## PERSONNEL

As at the end of the accounting period Premia Foods employed 909 people. The number of employees decreased by 8.5%, i.e. by 84 people during 12 months. The decrease in the number of employees occurred due to the restructuring of the business operation in Russia, which resulted in 31% cut in the number of employees in Russia. The employment expenses include the lay-off compensations paid in Russia in the total amount of 105 thousand euro.

	PERSONNEL ANALYSIS					
	Q1	Q2 6m 2011		Q1	Q2 6m 2010	
No of employees, at the end of period	941	909	909	615	993	993
exd Russia	607	669	669	615	646	646
Russia	334	240	240	0	347	347
Average number of employees	863	940	902	592	887	739
Finland	37	39	38	72	66	69
Estonia	310	379	345	295	362	328
Latvia	104	114	109	111	116	114
Lithuania	90	96	93	91	88	90
Russia	297	291	294	0	232	116
Sweden	25	21	23	23	23	23
Payroll expenses (th EUR)	2 953	3 637	6 590	2 255	3 111	5 366
Monthly average payroll exp per employee	1,14	1,29	1,22	1,27	1,17	1,21

The average number of employees in the 2<sup>nd</sup> quarter of 2011 was 940; in the 2<sup>nd</sup> quarter of 2010 the respective number as 887.

The total amount of remunerations paid in the 2<sup>nd</sup> quarter 2011 was 3,637 thousand euro, including the remunerations paid in Russia for April (the consolidation was initiated in May 2010) and the lay-off compensations in the amount of 404 thousand euro. The lay-off of employees in the previous Russian production unit occurred during the 2<sup>nd</sup> quarter and according to the laws of Russia, Premia is under obligation to pay lay-off compensations in the amount up to 128 thousand euro only to such previous employees who will not be re-employed during the 3<sup>rd</sup> quarter.



The average employment expense per person per months in 2011 was 1.22 thousand euro, which is 0.7% more than last year.

## SHARES

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.

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

### TRADING HISTORY

<i>Price (EUR)</i>	Q1	Q2	6m 2011	Q1	Q2	6m 2010
Open	0,952	<b>0,900</b>	<b>0,952</b>	na	0,930	0,930
High	0,998	<b>0,905</b>	<b>0,998</b>	na	0,930	0,930
Low	0,831	<b>0,760</b>	<b>0,760</b>	na	0,810	0,810
Last	0,905	<b>0,818</b>	<b>0,818</b>	na	0,830	0,830
Traded volume, thousand	1 739	<b>706</b>	<b>2 444</b>	na	972	972
Turnover, million	1,64	<b>0,58</b>	<b>2,22</b>	na	0,85	0,85
Market capitalization, million	35,01	<b>31,64</b>	<b>31,64</b>	na	32,11	32,11

### MARKET RATIOS

<i>Ratios</i>	<i>formula</i>	30.06.11
EV/Sales	(Market Cap + Net Debt) / Sales	<b>0,5</b>
EV/EBITDA	(Market Cap + Net Debt) / EBITDA	<b>7,7</b>
P/E	Market Cap / Net Earnings	<b>39,6</b>
P/B	Market Cap / Equity	<b>0,8</b>

Market Cap, Net Debt and Equity as of 30.06.2011

Sales, EBITDA and Net Earnings for the trailing 12 months period

The dynamics of the share price of Premia Foods (EUR) and the volume of transactions (no of shares traded) during the period from 5 May 2010 up to 30 June 2011.





## Shareholder structure

Major shareholders of Premia Foods AS as at 30 June 2011:

ING Luxembourg S.A.	58.52%
AS LHV Pank	3.82%
OÜ Rododendron	3.36%
Firebird Republics Fund Ltd.	3.09%
Ambient Sound Investments OÜ	2.94%
LHV Pensionifond L	2.85%
Firebird Aurora Fund, Ltd.	1.68%
OÜ Footsteps Management	1.27%
Skandinaviska Enskilda Banken Ab Clients	1.06%
LHV Pensionifond XL	1.00%

## MANAGEMENT AND MANAGING BODIES

The highest managing body of a public limited company (in Estonian: *aktsiaselts*) is the general meeting of shareholders. According to law, the general meetings of shareholders are ordinary and extraordinary.

Pursuant to law, supervisory board of public limited company is a surveillance body that is responsible for planning the activities of the company, organizing management thereof and supervising the activities of management board. In accordance with the Articles of Association of AS Premia Foods, there are three to six members of the supervisory board elected by the general meeting of shareholders for the term of 5 years.

As at today, the supervisory board of AS Premia Foods comprises of Lauri Kustaa Äimä (as from incorporation), Indrek Kasela (as from incorporation), Erik Haavamäe (as from incorporation), Aavo Kokk (elected on 5 May 2009), Harvey Sawikin (elected on 5 May 2009) and Jaakko Karo (elected on 17 August 2009).

Management board is the representative body of public limited company being responsible for everyday management of the company. According to the Articles of Association of AS Premia Foods, the management board comprises of one to four members elected for the term of 3 years.

As at today, the everyday business activities of AS Premia Foods are carried out by the members of management board Kuldar Leis (as from incorporation), Katre Kõvask (elected on 9 June 2009) and Silver Kaur (elected on 9 June 2009). The meeting of supervisory board held on 9 June 2009 appointed Kuldar Leis as the chairman of management board.

As at 30.06.2011, the members of management and supervisory board and persons/companies related to them hold the shares in the company as indicated below:

Shareholder	30.06.2011 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	23 073	0.06%
Member of the supervisory board – Lauri Kustaa Äimä	80 000	0.21%
Member of the supervisory board – Vesa Jaakko Karo	90 000	0.23%
Member of the supervisory board – Erik Haavamäe	183 242	0.47%
Member of the supervisory board – Harvey Sawikin	no shares	
Member of the supervisory board – Aavo Kokk	no shares	
<b>Total number of shares owned by supervisory and management board</b>	<b>2 344 377</b>	<b>6.06%</b>

**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 Külmoone 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 Association of the Estonian Food Industry and member of the management board of Rododendron OU.

**Katre Kõvask** (born 1975) graduated from University of Tartu in 1998, having specialized in marketing and foreign trade and has been the marketing director and a member of the management board of AS Premia Tallinna Külkhoone 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 Külkhoone since 2006 and of the company since June 2009. He is also a member of the supervisory board of AS "Premia FFL" and Saaremere Kala AS and belongs to the management boards of RüsiGrupp OÜ and Freespirit OU.

**Indrek Kasela** (born 1971) holds LL.M (master of laws) degree from New York University (1996), BA degree in law from the University of Tartu (1994) and certificate in EU Law from the University of Uppsala and serves as a member of supervisory board of several group entities, such as AS Premia Tallinna Külkhoone 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-expression, 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 Külkhoone 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 Külkhoone, Saaremere Kala AS, Vettel OÜ, and AS "Premia FFL". He is a member of the supervisory board of AS Toode and AS Kevelt and a member of the management board of AS EPhaG, MTÜ Eesti Maleliit 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 Aurora 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.

Additional information on and photos of the members of management and supervisory board may be obtained from the web-page of the company [www.premiafoods.eu](http://www.premiafoods.eu) under investor relations subsection.



## INTERIM ACCOUNTING REPORT

### Consolidated statement of financial position

EUR '000	30.06.2011	31.12.2010	30.06.2010	Note
<b>ASSETS</b>				
Cash and cash equivalents	2 090	722	5 206	
Receivables and prepayments	11 068	9 970	12 408	
Inventories	17 305	16 911	14 611	
Fixed assets held for sale	10	10	10	
<b>Total current assets</b>	<b>30 473</b>	<b>27 613</b>	<b>32 235</b>	
Deferred income tax	587	499	364	
Long-term financial investments	89	93	105	2
Investments property	2 084	2 084	2 084	
Tangible fixed assets	14 066	15 087	15 866	3
Intangible assets	23 295	23 568	23 895	4
<b>Total non-current assets</b>	<b>40 121</b>	<b>41 331</b>	<b>42 314</b>	
<b>TO TAL ASSETS</b>	<b>70 594</b>	<b>68 944</b>	<b>74 549</b>	
<b>EQUITY AND LIABILITIES</b>				
Loans and borrowings	5 048	2 444	7 039	5,6
Factoring payable	855	2 762	3 020	
Payables	11 705	9 559	13 656	
<b>Total current liabilities</b>	<b>17 608</b>	<b>14 765</b>	<b>23 715</b>	
Loans and borrowings	10 024	9 486	8 394	5,6
Deferred tax liabilities	1 259	1 642	1 093	
Target financing	1 623	1 679	1 699	7
<b>Total non-current liabilities</b>	<b>12 906</b>	<b>12 807</b>	<b>11 186</b>	
<b>TO TAL LIABILITIES</b>	<b>30 514</b>	<b>27 572</b>	<b>34 901</b>	
Share capital	23 210	24 723	24 723	8
Share premium	16 026	14 513	14 513	
Treasury shares	-30	-30	-29	
Other reserve	10	0	0	
Currency translation reserve	309	335	300	
Retained earnings	555	1 831	141	
<b>Equity attributable to parent</b>	<b>40 080</b>	<b>41 372</b>	<b>39 648</b>	
Non-controlling interest	0	0	0	
<b>TO TAL EQUITY</b>	<b>40 080</b>	<b>41 372</b>	<b>39 648</b>	
<b>TO TAL EQUITY AND LIABILITIES</b>	<b>70 594</b>	<b>68 944</b>	<b>74 549</b>	





## Consolidated statement of comprehensive income

EUR '000	Q 2 2011	Q 2 2010	6m 2011	6m 2010	Note
Sales	27 582	21 285	44 244	36 263	9
Cost of goods sold	-19 446	-15 784	-32 877	-27 769	9
<b>Gross profit</b>	<b>8 136</b>	<b>5 501</b>	<b>11 367</b>	<b>8 494</b>	
<b>Operating expenses</b>	<b>-6 448</b>	<b>-5 102</b>	<b>-11 387</b>	<b>-8 859</b>	
Selling and distribution exp	-5 156	-4 062	-8 948	-7 025	
Administrative expenses	-1 292	-1 040	-2 439	-1 834	
Other income/expenses	54	443	163	648	
Fair value adjustment on biological assets	-520	422	-1 228	65	
<b>Operating profit</b>	<b>1 222</b>	<b>1 264</b>	<b>-1 085</b>	<b>348</b>	
Financial income	-19	-28	9	121	
Financial expenses	-237	-253	-381	-756	
<b>Profit (loss) before tax</b>	<b>966</b>	<b>983</b>	<b>-1 457</b>	<b>-287</b>	
Income tax	125	-225	568	-99	
<b>Net profit (loss)</b>	<b>1 091</b>	<b>758</b>	<b>-889</b>	<b>-386</b>	
Other comprehensive income (-loss)					
Foreign currency translation differences	-59	81	-26	210	
Other comprehensive income	-59	81	-26	210	
<b>Total comprehensive income</b>	<b>1 032</b>	<b>839</b>	<b>-915</b>	<b>-176</b>	
Net profit (loss) for the period attributable to:					
- Owners of the Company	1 091	754	-889	-400	
- Non-controlling interest	0	4	0	14	
<b>Total comprehensive income for the period</b>	<b>1 091</b>	<b>758</b>	<b>-889</b>	<b>-386</b>	
Total comprehensive income (loss) attributable to:					
- Owners of the Company	1 032	835	-915	-190	
- Non-controlling interest	0	4	0	14	
<b>Total comprehensive income for the period</b>	<b>1 032</b>	<b>839</b>	<b>-915</b>	<b>-176</b>	
Earnings per share (€)	0,03	0,02	-0,02	-0,02	8
Diluted earnings per share (€)	0,03	0,02	-0,02	-0,02	8



### Consolidated statement of cash flows

<b>CASH FLOW FROM OPERATIONS</b>		
Operating profit (loss)	-1 085	348
Adjustments:		
Depreciation	1 985	1 849
Profit/loss from sale and write off of fixed assets	84	94
Other non-cash items	1 072	-674
Change in receivables related to operating activities	-1 239	-1 811
Change in inventories and fixed assets held for sale	-1 570	1 120
Change in liabilities and prepayments related to operating activities	2 459	-1 464
Target financing of operating expenses	4	0
Corporate income tax paid	-15	-179
Change in currency exchange rates	0	0
<b>Total cash flow from operations</b>	<b>1 695</b>	<b>-717</b>
<b>CASH FLOW FROM INVESTMENTS</b>		
Sale of tangible and intangible fixed assets	60	7
Purchase of tangible and intangible fixed assets	-629	-598
Sale and purchase of other financial investments	0	4
Net cash flow from acquisition of subsidiaries	0	-2 988
Acquisition of non-controlling interest in a subsidiary	-38	-452
Acquisition of associated company	0	-13
Loans granted	0	0
Repayments of loans granted	5	0
Interests received	1	82
Profit from long-term investments	0	1
<b>Total cash flow from investments</b>	<b>-601</b>	<b>-3 957</b>
<b>CASH FLOW FROM FINANCING</b>		
Change in overdraft	2 784	242
Repayments of loans	-1 157	-6 894
Loans raised	1 610	3 650
Change in factored receivables	-1 907	288
Target financing received	110	169
Capital lease repayments	-450	-421
Issue of shares	0	12 210
Dividends payout	-387	0
Interests paid	-254	-549
Other financial expenses	-44	-62
<b>Total cash flow from financing</b>	<b>305</b>	<b>8 633</b>
<b>Total cash flow</b>	<b>1 399</b>	<b>3 959</b>
Cash and cash equivalents at beginning of year	722	1 254
Raha ja raha ekvivalentide muutus	1 399	3 959
Gain/loss on conversion of foreign currencies	-31	-7
<b>Cash and cash equivalents at the end of the year</b>	<b>2 090</b>	<b>5 206</b>



## Consolidated statement of changes in equity

EUR '000	Equity attributable to the owners of the Company						Non-controlling interest	TOTAL EQUITY	
	Share capital	Share premium	Own shares	Other reserve	Translation reserve	Retained earnings			Total
Balance as of 31.12.2009	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
Issue of shares	9 267	2 942	0	0	0	0	12 210	0	12 210
Change in non-controlling interest	0	0	0	0	0	0	0	-258	-258
Sale of treasury shares	0	0	128	0	0	0	128	0	128
Loss on sale of treasury shares	0	0	97	0	0	-97	0	0	0
Comprehensive income	0	0	0	0	245	1 288	1 533	14	1 547
Balance at 31.12.2010	24 723	14 513	-30	0	335	1 831	41 372	0	41 372
Fair value of stock option program cost	0	0	0	10	0	0	10	0	10
Reduction of share capital	-1 513	1 513	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	-387	-387	0	-387
Comprehensive income	0	0	0	0	-26	-889	-915	0	-915
Balance at 30.06.2011	23 210	16 026	-30	10	309	555	40 080	0	40 080



## Notes to the Interim Report

### Note 1. Summary of material accounting policies

AS Premia Foods is a company registered in Estonia. The interim report as at 30.06.2011 contains AS Premia Foods (hereinafter the Parent Company) and its subsidiaries Saaremere Kala AS in Estonia, AB Premia KPC in Lithuania, OOO Khladokombinat No 1 and OOO Khladomagija in Russia and companies belonging into the group – OÜ Vettel, OÜ GourmetHouse and AS Premia Tallinna Külmoone in Estonia, Heimon Kala OY in Finland, Överumans Fisk Ab and Skärgårdshavets Fisk Ab in Sweden, SIA F.F.L.S. and AS Premia FFL in Latvia (hereinafter also the Group). The Group has a holding in an affiliated entity Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Center of Food and Fermentation Technology; CCFET). AS Premia Foods is listed on the NASDAQ OMX Tallinn Stock Exchange since 5 May 2010.

The Group's consolidated audited annual report for the financial year that ended on 31 December 2010 is available at the Parent Company's location at Betooni 4, Tallinn and on the Parent Company's website [www.premiafoods.eu](http://www.premiafoods.eu).

### Confirmation of Compliance

The current unaudited consolidated interim report complies with the requirements of international accounting standards IAS 34 "Interim Financial Reporting" on condensed interim financial statements.

While preparing the interim report at hand, the same accounting principles as in the annual report for the financial year ended on 31.12.2010 have been applied. The report does not hold all the information that must be presented in a complete annual report so it should be read together with the Parent Company's audited consolidated annual report for the financial year that ended on 31 December 2010, which is in compliance with international finance reporting standards (IFRS).

The management board approved the publication of this condensed unaudited consolidated interim report on 15 August 2011.

In the opinion of the management, this interim report for 2<sup>nd</sup> quarter and 6 months 2011 of AS Premia Foods presents correctly and fairly the financial results of the Group as a going concern. Current interim report is neither audited nor reviewed by auditors in any other way and contains only the consolidated reports of the Group.

### Basis of Preparation

The functional currency is euro. The consolidated interim report is presented in thousands of euro and all numerical indicators have been rounded to thousand, if not indicated otherwise. In the report, thousand euro is indicated as an abbreviation EUR '000.

### Use of Assessments

In preparing the interim report, the management board must form opinions, give assessments and make decisions that affect the application of accounting principles and the values of assets and liabilities, incomes and expenses. Actual results may differ from the assessments.

The same assessments of the management that were used to prepare the consolidated annual report for the financial year that ended on 31 December 2010 were used to prepare this condensed consolidated interim report.

### Changes in Presentation

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

Accounting of Insurance Compensation

### Accounting of Insurance Compensation

In the 2<sup>nd</sup> quarter of 2010, the subsidiary of AS Premia Foods Heimon Kala Oy received an insurance compensation for a fire accident occurred in its fish production unit in the amount of 2,900 thousand euro. In the interim report of the 2<sup>nd</sup> quarter of 2010 this insurance compensation has been recorded as other income of the 2<sup>nd</sup> quarter in the total amount thereof. Upon auditors' recommendations in the interim report of the 4<sup>th</sup> quarter this amount previously accounted as income was set-off against one-time expenses related to this accident.



While preparing this interim report for ensuring comparability with previous periods the insurance compensation has been accrued per quarters, taking into account actual one-off expenses arisen during the period May – December 2010 and the assumed amount of unearned profit.

The above change has no effect on the results of Premia Foods of 12 months 2010. The changes have effect only to the results of the fish segment, where the EBITDA, revenue and net profit per quarters as from the 2<sup>nd</sup> quarter have been corrected. The following table illustrates the described changes.

Profit & Loss	Q2 2010	change	Q2 2010	Q3 2010	change	Q3 2010	Q4 2010	change	audit	Q4 2010
EUR '000	interimreport		adjusted	interimreport		adjusted	interimreport		change	adjusted
Sales	21 285		21 285	23 227		23 227	17 795		-7	17 788
Cost of goods sold	-16 076	292	-15 784	-16 423	275	-16 148	-14 117	-567	-7	-14 691
<b>Gross profit</b>	<b>5 209</b>	<b>292</b>	<b>5 501</b>	<b>6 804</b>	<b>275</b>	<b>7 079</b>	<b>3 678</b>	<b>-567</b>	<b>-14</b>	<b>3 097</b>
<b>Operating expenses</b>	<b>-5 109</b>	<b>7</b>	<b>-5 102</b>	<b>-5 538</b>	<b>11</b>	<b>-5 527</b>	<b>-4 715</b>	<b>-18</b>	<b>-14</b>	<b>-4 747</b>
Selling and distribution exp	-4 062	0	-4 062	-4 852		-4 852	-3 266	0	5	-3 262
Administrative expenses	-1 047	7	-1 040	-686	11	-675	-1 448	-18	-19	-1 485
Other income/expenses	2 959	-2 516	443	-45	825	780	-628	1 692	19	1 083
Fair value adjustment on biological assets	422		422	1 268		1 268	-311			-311
<b>Operating profit</b>	<b>3 481</b>	<b>-2 217</b>	<b>1 264</b>	<b>2 489</b>	<b>1 111</b>	<b>3 600</b>	<b>-1 975</b>	<b>1 106</b>	<b>-9</b>	<b>-878</b>
<b>Net profit (loss)</b>	<b>2 975</b>	<b>-2 217</b>	<b>758</b>	<b>1 799</b>	<b>1 111</b>	<b>2 910</b>	<b>-2 321</b>	<b>1 106</b>	<b>-6</b>	<b>-1 221</b>
<b>EBITDA</b>	<b>4 417</b>	<b>-2 217</b>	<b>2 200</b>	<b>3 626</b>	<b>1 111</b>	<b>4 736</b>	<b>-926</b>	<b>1 106</b>	<b>-26</b>	<b>154</b>

Balance Sheet	30.06.10	change	30.06.10	30.09.10	change	30.09.10
EUR '000	interimreport		adjusted	interimreport		adjusted
Payables	11 439	2 217	13 656	8 886	1 106	9 992
<b>Total current liabilities</b>	<b>21 498</b>	<b>2 217</b>	<b>23 715</b>	<b>14 036</b>	<b>1 106</b>	<b>15 142</b>
Retained earnings	2 358	-2 217	141	4 157	-1 106	3 051
<b>TOTAL EQUITY</b>	<b>41 865</b>	<b>-2 217</b>	<b>39 648</b>	<b>43 757</b>	<b>-1 106</b>	<b>42 651</b>

## Note 2. Long-term Financial Investments

EUR '000	Investment in associate	Other long-term investments	Total
<b>Balance at 31.12.2010</b>	<b>13</b>	<b>80</b>	<b>93</b>
Repayments of loans granted	0	-4	-4
<b>Balance at 30.06.2011</b>	<b>13</b>	<b>76</b>	<b>89</b>

Other long-term investments include the investments into shares and holdings, which are not listed on the stock exchange and a claim from loan granted to Selkämeren Jää Oy. During the accounting period no share dividend or interest revenue was earned.

AS Premia Foods has a 20% holding in an associated undertaking AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Center of Food and Fermentation Technology (CCFFT)). AS CCFFT (previously MTÜ CCFFT) is the partner of AS Premia Foods in developing new technologies and products.



### Note 3. Property Investments and Tangible Fixed Assets

EUR '000	Property investments	Land and buildings	Machinery and equipment	Other tangible assets	Constuction in progress, prepayments	Total
<b>Residual value as of 31.12.2010</b>	<b>2 084</b>	<b>5 595</b>	<b>8 842</b>	<b>446</b>	<b>204</b>	<b>17 171</b>
Unrealised currency effect	0	-12	92	0	0	80
Acquired during the period	0	36	545	44	81	707
Re-classification	0	0	219	0	-219	0
Depreciation	0	-282	-1 285	-75	0	-1 642
Assets sold and written off	0	0	-166	-1	0	-167
<b>Balance at 30.06.2011</b>	<b>2 084</b>	<b>5 337</b>	<b>8 248</b>	<b>414</b>	<b>66</b>	<b>16 150</b>

Additional information about assets acquired under finance lease has been presented in Note 5.

### Note 4. Intangible Assets

EUR '000	Goodwill	Client contracts	Trade-marks and patents	Immaterial rights	Software licenses	Pre-payments	Total
<b>Balance as of 31.12.2010</b>	<b>19 942</b>	<b>818</b>	<b>1 852</b>	<b>627</b>	<b>251</b>	<b>78</b>	<b>23 568</b>
Unrealised currency effect	0	0	0	0	0	-1	-1
Acquired during the period	0	0	0	0	20	52	72
Depreciation	0	-230	-52	-20	-42	0	-344
<b>Balance at 30.06.2011</b>	<b>19 942</b>	<b>588</b>	<b>1 800</b>	<b>607</b>	<b>229</b>	<b>129</b>	<b>23 295</b>

### Note 5. Financial Lease

EUR '000	Machinery, equipment	Means of transport	Other fixed assets	Total
<i>Fixed assets acquired under finance lease</i>				
<b>Acquisition cost as of 30.06.11</b>	<b>744</b>	<b>3 073</b>	<b>216</b>	<b>4 033</b>
Accumulated depreciation as of 30.06.11	-313	-1 864	-159	-2 336
<b>Residual value as of 30.06.11</b>	<b>431</b>	<b>1 209</b>	<b>57</b>	<b>1 697</b>
<b>Acquisition cost as of 31.12.10</b>	<b>763</b>	<b>3 037</b>	<b>216</b>	<b>4 016</b>
Accumulated depreciation as of 31.12.10	-359	-1 720	-139	-2 218
<b>Residual value as of 31.12.10</b>	<b>404</b>	<b>1 317</b>	<b>77</b>	<b>1 798</b>
<b>Payable under finance lease as of 30.06.11</b>	<b>246</b>	<b>646</b>	<b>25</b>	<b>917</b>
incl. payable within 1 year	151	341	16	508
incl. payable within 1-5 years	95	305	9	409
Principal payments of the period	88	319	43	450
Interest expenses of the period	3	8	1	12
Average interest rate	4,18%	3,10%	3,42%	

## Note 6. Debt Obligations

EUR '000	30.06.2011	31.12.2010
Finance lease liabilities	508	689
Overdraft	2 784	0
Investment loans	1 756	1 755
<b>Short Term Debt Obligations</b>	<b>5 048</b>	<b>2 444</b>
Finance lease liabilities	409	354
Investment loans	9 615	9 132
<b>Long Term Debt Obligations</b>	<b>10 024</b>	<b>9 486</b>
incl. payable within 1-5 years	10 024	9 486
incl. payable after 5 years	0	0

Loan residuals as of 30.06.2011 with additional information about the interest rates, payment terms and the collateral established for securing the loans:

Borrower	Creditor	Amount	Interest rate	Maturity date	Loan residual 30.06.2011	less than 1 year	1-5 years	Collateral
<b>Overdraft</b>								
AS Premia Foods	UniCredit	4 200 tuh EUR <sup>1</sup>	6m EURIBOR + 1.4%	01.12.11	2 784	2 784	0	pledges on subsidiaries shares, mortgage 10.6 mln EUR, commercial pledge 2.7 mln EUR
<b>Investment loans</b>								
AS Premia Tallinna Külmoone	Danske Bank	4 500 tuh EUR	6m EURIBOR + 0.75%	25.10.14	3 096	417	2 679	Mortgage 5.1 mln EUR, pledge on subsidiary shares
AS Premia Foods	UniCredit	8 675 tuh EUR	6m EURIBOR + 2.0%	19.08.15	7 642	1 239	6 403	pledges on subsidiaries shares, mortgage 10.6 mln EUR, commercial pledge 2.7 mln EUR
AS Premia FFL	UniCredit	700 tuh EUR	6m EURIBOR + 2.0%	19.08.15	633	100	533	Mortgage 1.4 mln EUR
<b>Total</b>					<b>14 155</b>	<b>4 540</b>	<b>9 615</b>	

overdraft limit in amount of 740 th EUR matures at 19.08.11

Effective interest rates are very close to nominal interest rates.

## Note 7. Target Financing

EUR '000	6m 2011	6m 2010
<b>Deferred income from target financing at the beginning of period</b>	<b>1 679</b>	<b>1 667</b>
Target financing received during the period	114	169
Change in the exchange rates	2	27
Transferred to income during the period	-172	-164
<b>Deferred income from target financing at the end of period</b>	<b>1 623</b>	<b>1 699</b>
incl. income within 1 year	336	328
incl. income within 1-17 years	1 287	1 371

The Swedish subsidiary Skärgårdshavets Fisk Ab has received aid from the European Union, which have been collateralized with real estate mortgage in the amount of 235 thousand euro and with commercial pledge in the amount of 37 thousand euro. As at 30 June 2011 the residual value of EU subsidies is 107 thousand euro.

In the 1<sup>st</sup> half-year of 2011 Enterprise Estonia (EAS) financed to project of AS Premia Tallinna Külmoone for implementing an export marketing plan in the amount of 4 thousand euro.



## Note 8. Equity

As at 30 June 2011 the Company had 38 682 860 shares (30.06.2010: 38 682 860) and 19 163 own shares (30.06.2010: 19 163).

On 13 April 2011, the decrease of share capital and the conversion of share capital into euro were entered into the Commercial Register. Relevant resolutions were adopted by the Extraordinary General Meeting of shareholders of AS Premia Foods held on 22 February 2011. The new amount of the registered share capital of AS Premia Foods is 23 209 716 euro, which is divided into 38 682 860 ordinary shares with the nominal value of 0.60 euro.

Simultaneously the new version of the Articles of Association was registered in the Commercial Register. The Articles of Association of AS Premia Foods in the new wording are available at the web page of AS Premia Foods ([www.premiafoods.eu](http://www.premiafoods.eu)).

The Annual General Meeting on 31 May 2011 resolved to distribute dividends on the account of retained profits in the amount of 387 000 euro, i.e. 0.01 euro per share. The list of shareholders entitled to receive dividends was determined as of 15 June 2011 at 23.59 and the payment of dividends took place on 20 June 2011.

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

	Q2 2011	Q2 2010	6m 2011	6m 2010
Net profit (-loss) for the period EUR '000	1 091	754	-889	-400
Avg no of shares (thousand)	38 664	33 783	38 664	18 092
Earnings per share (€)	0,03	0,02	-0,02	-0,02
Diluted earnings per share (€)	0,03	0,02	-0,02	-0,02

## Note 9. Segment Reporting

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

The following business segments are distinguished in the consolidated financial statements:

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

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

There is a relatively high level of integration between the Ice Cream and Frozen Food reportable segments. This integration includes shared marketing, selling and marketing services.

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

According to assessments of the management, the transactions between the group's business segments have been carried out at market prices and conditions.

## Secondary segment

### Revenue of AS Premia Foods by geographical segments:

EUR '000	Q2 2011	Q2 2010	6m 2011	6m 2010
Finland	8 539	6 556	14 871	13 526
Estonia	7 504	5 237	12 184	9 537
Latvia	3 581	2 874	5 868	5 186
Lithuania	3 620	3 129	5 060	4 460
Russia	4 277	3 469	6 188	3 481
Other	61	18	72	73
<b>Total</b>	<b>27 582</b>	<b>21 285</b>	<b>44 244</b>	<b>36 263</b>





## Primary segment

Q2 2011, EUR '000	Fish	Ice cream	Frozen Food	Other	Elim.	Total
External revenue	9 792	12 235	5 044	510	0	27 582
Inter-segment revenue	0	0	0	6	-6	0
<b>Total gross revenue</b>	<b>9 792</b>	<b>12 235</b>	<b>5 044</b>	<b>516</b>	<b>-6</b>	<b>27 582</b>
Segment operating profit	377	1 959	140	107	0	2 584
Unallocated EBITDA						-390
<b>Total EBITDA</b>						<b>2 194</b>
Segment operating profit	84	1 513	52	101	0	1 750
Unallocated operating profit						-528
<b>Total operating profit</b>						<b>1 222</b>

Q2 2010, EUR '000	Fish	Ice cream	Frozen Food	Other	Elim.	Total
External revenue	6 717	9 196	5 127	245	0	21 285
Inter-segment revenue	77	0	6	5	-88	0
<b>Total gross revenue</b>	<b>6 794</b>	<b>9 196</b>	<b>5 133</b>	<b>250</b>	<b>-88</b>	<b>21 285</b>
Segment operating profit	593	1 588	-89	198	0	2 290
Unallocated EBITDA						-90
<b>Total EBITDA</b>						<b>2 200</b>
Segment operating profit	332	1 196	-228	197	0	1 497
Unallocated operating profit						-233
<b>Total operating profit</b>						<b>1 264</b>

6m 2011, EUR '000	Fish	Ice cream	Frozen Food	Other	Elim.	Total
External revenue	17 225	16 259	9 952	807	0	44 244
Inter-segment revenue	0	0	1	11	-12	0
<b>Total gross revenue</b>	<b>17 225</b>	<b>16 259</b>	<b>9 953</b>	<b>818</b>	<b>-12</b>	<b>44 244</b>
Segment operating profit	-87	1 539	-115	174	0	1 511
Unallocated EBITDA						-611
<b>Total EBITDA</b>						<b>900</b>
Segment operating profit	-669	725	-412	159	0	-197
Unallocated operating profit						-888
<b>Total operating profit</b>						<b>-1 085</b>

6m 2010, EUR '000	Fish	Ice cream	Frozen Food	Other	Elim.	Total
External revenue	14 470	11 098	10 147	548	0	36 263
Inter-segment revenue	165	0	6	10	-181	0
<b>Total gross revenue</b>	<b>14 635</b>	<b>11 098</b>	<b>10 153</b>	<b>558</b>	<b>-181</b>	<b>36 263</b>
Segment operating profit	563	1 660	-370	226	0	2 079
Unallocated EBITDA						118
<b>Total EBITDA</b>						<b>2 197</b>
Segment operating profit	32	1 051	-771	217	0	529
Unallocated operating profit						-181
<b>Total operating profit</b>						<b>348</b>



## Note 10. Subsidiaries

Company	Country	Share		Field of operation	Owner
		30.06.2011	31.12.2010		
Saaremere Kala AS	Estonia	100%	100%	Holding	Premia Foods AS
Vettel OÜ	Estonia	100%	100%	Fish processing	Saaremere Kala AS
GourmetHouse OÜ	Estonia	100%	100%	Sale of fish and fish products	Saaremere Kala AS
AS Premia Tallinna Külkhoone	Estonia	100%	100%	Ice cream production, sale of ice cream and frozen food	AB Premia KPC
OÜ TCS Invest	Estonia	x	100%	Holding	AS Premia Tallinna Külkhoone
AB Premia KPC	Lithuania	100%	100%	Sale of ice cream and frozen food	Premia Foods AS
Heimon Kala OY	Finland	100%	100%	Fishfarming, processing and sale of fish and fish products	Saaremere Kala AS
Överumans Fisk Ab	Sweden	100%	100%	Fishfarming and sale	Saaremere Kala AS
Skärgårdshavets Fisk Ab	Sweden	100%	100%	Fishfarming and sale	Saaremere Kala AS
SIA F.F.L.S.	Latvia	100%	100%	Holding	AS Premia Tallinna Külkhoone
AS Premia FFL	Latvia	100%	100%	Sale of ice cream and frozen food	AS Premia Tallinna Külkhoone, SIA F.F.L.S.
OOO Khladokombinat No1	Russia	100%	100%	Ice cream production, sale of ice cream and frozen food	Premia Foods AS
OOO Khladomagija	Russia	100%	100%	IP Holding	Premia Foods AS

In order to simplify the existing structure of the group and make it more comprehensive AS Premia Foods as the acquiring company and OÜ TCS Invest as the company being merged executed on 10 February 2011 notarised merger agreement. On 6 May 2011, the merger of OÜ TCS Invest and AS Premia Foods was registered in the Commercial Register as a result of which OÜ TCS Invest was deleted from the Commercial Register. The balance sheet date of the merger is 1 January 2011, which means that as of the referred date, all transactions of OÜ TCS Invest are deemed to be executed in the name and on behalf of AS Premia Foods. OÜ TCS Invest was a holding company without independent economic activity. The only assets of OÜ TCS Invest comprised of the shareholding in the ultimate subsidiaries of Premia Foods in Russia (OOO Khladokombinat No. 1 and OOO Khladomagija). In the course of the merger, the above-named assets were transferred to AS Premia Foods. According to the merger agreement, the acquiring company compensated to the sole shareholder of the company being merged Premia Tallinna Külkhoone AS the sole share of the company being merged in cash in the amount of 66 thousand euro. The merger agreement was reviewed by Rimess OÜ.

On 4 February, AB „Premia KPC“, the sole shareholder of AS Premia Tallinna Külkhoone; AS Premia Foods, the sole shareholder of Saaremere Kala AS; Saaremere Kala AS, the sole shareholder of Vettel OÜ; and Saaremere Kala AS, the sole shareholder of GourmetHouse OÜ, adopted the resolutions on converting the share capitals of the referred companies into euro. Upon the conversion of the share capitals, all the share capitals have been rounded up or down to the closest possible amounts. In connection with the conversion of the share capitals into euro, all the Articles of Association of the referred companies have been amended.

The share capitals of the Estonian companies belonging to the group of companies of AS Premia Foods are as follows:

Company	Registered share capital	New par value of the share	Prior share capital	Prior par value of the share
Premia Tallinna Külkhoone AS	2 561 760 EUR	share without nominal value	40 082 840 EEK	10 EEK
Saaremere Kala AS	456 577 EUR	share without nominal value	7 143 880 EEK	10 EEK
OÜ Vettel	865 345 EUR	865 345 EUR	13 539 700 EEK	13 539 700 EEK
OÜ GourmetHouse	2 684 EUR	2 684 EUR	42 000 EEK	42 000 EEK

On 8 July 2011, the merger of fully-owned subsidiaries Överumans Fisk AB and Skärgårdshavets Fisk AB was finalised. Detailed information on the merger has been presented in the Note 12.



### Note 11. Related Party Transactions

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

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

Related parties are:

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

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

Company	Debtor	Comments	Receivable as of 30.06.11 EUR '000	Receivable as of 31.12.10 EUR '000
Heimon Kala Oy	Amber Trust S.C.A.	Other receivable	110	110
Vettel OÜ	Companies related to the members of management and	Other receivable	1	-
Heimon Kala Oy		Other receivable	5	-
Total		116	110	

Company	Debtor	Comments	Payable as of 30.06.11 EUR '000	Payable as of 31.12.10 EUR '000
Premia Foods AS	Amber Trust S.C.A, Amber Trust II S.C.A.	Loan	-	1 950
		Interest payable	-	25
Vettel OÜ		Interest payable	37	37
AB Premia KPC		Other payable	-	1 200
Premia Foods AS	Companies related to the members of management and	Accounts payable	8	11
Vettel OÜ		Accounts payable	-	1
Total		45	3 224	

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

Party EUR '000	Type of transaction	6m 2011 Purchase	6m 2011 Sale	6m 2010 Purchase	6m 2010 Sale
Amber Trust II S.C.A.	interest	-	-	3 403	-
Companies related to the members of management and supervisory board	services	75	2	1 095	21
<b>Total</b>		<b>75</b>	<b>2</b>	<b>4 498</b>	<b>21</b>

For 6 months of 2011, 584 thousand euro (social tax included) was reimbursed for the members of the supervisory board and of the management board of AS Premia Foods and its subsidiaries (for 6 months of 2010 the respective sums were 422 thousand euro).



## Note 12. Subsequent Events

### Merger of Överumans Fisk AB and Skärgårdshavets Fisk AB

On 8 July 2011, the merger of fully-owned subsidiaries Överumans Fisk AB and Skärgårdshavets Fisk AB was finalised as a result of which all rights, obligations and assets of Skärgårdshavets Fisk AB were fully transferred to Överumans Fisk AB. Överumans Fisk AB, having assumed all operations of Skärgårdshavets Fisk AB, continues under the current business name - Överumans Fisk AB. The merger has had no effect on the ownership structure - Överumans Fisk AB is continuously fully-owned subsidiary of Heimon Kala Oy, which, in turn, is fully owned by Premia

## Note 13. Contingent Liabilities and Assets

### EU grants

Överumans Fisk AB has applied in the frames of the Fish breeding fund support programme for an investment support for the acquisition of sewerage water cleaning station, fish pumps and counters. As at 31.12.2010 all the investments have been made. As at the balance sheet date the investment support has been recognised as off balance sheet liability as the company received the information on approving the application and receiving the support on 19.04.2011, however, the investment analysis has not yet been conducted, The amount of the off balance sheet liability is approximately 157 thousand euro.

**MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED INTERIM REPORT FOR THE 2<sup>ND</sup> QUARTER AND 6 MONTHS OF 2011**

The management board confirm the correctness and completeness of the consolidated interim report for the 2<sup>nd</sup> quarter and 6 months of 2011 of AS Premia Foods and its subsidiaries (together the Group) presented in the pages 4 – 28 hereof and confirms to the best of its knowledge that:

- The activities report of the consolidated interim report presents adequate and fair overview of the development and results of business activities of the Group and the financial position thereof and includes the description of the main risk factors and uncertainties;
- the accounting principles applied in the preparation of the consolidated interim report are in compliance with the International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by the European Union;
- the consolidated interim report provides a true and fair overview of the assets, liabilities and financial position of the group and of the results of its operations and its cash flows;
- Premia Foods AS and its subsidiaries are going concerns.

Chairman of management board	Kuldar Leis	digitally signed	15 August 2011
Member of management board	Silver Kaur	digitally signed	15 August 2011
Member of management board	Katre Kõvask	digitally signed	15 August 2011