AS PREMIA FOODS

Consolidated Annual Report of 2012
(translation from the Estonian original)

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Main areas of activities:	Production of ice-cream Wholesale of food products Production and sale of fish products Fish farming
Reporting period:	1 January 2012 – 31 December 2012
Auditor:	AS PricewaterhouseCoopers

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INTRODUCTION TO THE COMPANY

AS Premia Foods (hereinafter Premia Foods or Premia) is an international 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, Aisforija, 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

INFORMATION TO SHAREHOLDERS

Financial calendar for 2013

All the reports of Premia Foods are made available to public in both, Estonian and in English languages, on the company's web-page www.premiafoods.eu and via the information system of NASDAQ OMX Tallinn Stock Exchange. The reports may be ordered to a personal e-mail. Relevant request may be sent to the e-mail address premia@premia.ee.

In 2013, the financial results of Premia Foods will be published as follows:

Audited annual report of 2012	15th week
Turnover of the first quarter of 2013	15th week
Unaudited interim report of the first quarter of 2013	20th week
Turnover of the second quarter and 6 months of 2013	28th week
Unaudited interim report of the second quarter and 6 months of 2013	33rd week
Turnover of the third quarter and 9 months of 2013	41st week
Unaudited interim report of the third quarter and 9 months of 2013	46th week

Dividend policy

The Management Board of Premia Foods has submitted its proposal to the Supervisory Board to continue the declared dividend policy and to distribute 387 thousand euro, i.e. 0.01 euro per share, as dividends for the financial year 2012. Provided that this proposal is approved by the Supervisory Board, the same proposal will be made to the General Meeting of shareholders. With this proposal the company continues to adhere to the dividend policy disclosed in the spring 2011. 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 its operations.

General Meeting of shareholders

The ordinary General Meeting of shareholders will be held in May 2013 in Tallinn. The agenda of the General Meeting of shareholders will be made public on the web-page of the company www.premiafoods.eu, in one daily newspaper and via the information system of NASDAQ OMX Tallinn Stock Exchange not later than 3 weeks before the meeting.

MISSION

We wish that 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 the 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 three leading brands in all our business segments;
- EBITDA margin at the level of 7%;
- To distribute up to 30% of the yearly net profit as dividends.

Premia set the following goals for the financial year 2012:

- Turnover growth of 6%, i.e. turnover of 93.5 million euro;
- The increase of the EBITDA from operations by 10.6% amounting to 6.3 million euro;
- Profit before taxes 1.6 million euro;
- Capital expenditures of 2.1 million euro.

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

Year 2012 was complicated for Premia in all its target markets and the above-referred financial goals were not achieved. While summarizing the previous year, Premia remained below the set turnover goal by 7.6% and the turnover of the company amounted to 86.4 million euro. The volume turnover growth was achieved in the frozen goods business segment as well as in the fish business segment. Moderate summer weather affected most the results of the ice cream business segment, the turnover of which remained below the set turnover forecast by 4.4 million euro. On the positive side, the gross margin increased in all the business segments and, as at the end of the year, the average gross margin was 27.4%, which is by 1.4 percentage points higher than the result of the 12 months of 2011. The EBITDA from operations was 5.2 million euro. The operating costs were as planned; however, the fall-behind in the EBITDA resulted from the turnover, which was 7.1 million euro less than forecasted, although the gross margin exceeded the goal set by the company by 0.6 percentage points.

As a tradition, while preparing the budget and setting the goals, the company did not consider the possible non-monetary influence of the revaluation of fish stock. When eliminating the influence of the revaluation of fish stock and the one-off expenses arisen in connection with destroying the fingerlings, the company's profit before taxes comparable to the budgeted goal was 1.4 million euro and the net profit was 1.0 million euro in 2012.

The net profit increased and as at the end of 2012, Premia had earned a net profit of 0.1 million euro; if compared to the result of the year 2011, the result was improved by 0.6 million euro.

The investments in the amount of 2.0 million euro were as planned. In 2012, the general need for capital expenditures was 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 fish business segment risks related to biological assets.

ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD

The year 2012 passed in complicated circumstances for Premia. Although both, the gross and the net profit, improved, the company did not succeed in achieving all the set goals and the company had to face bad weather conditions as well as unexpected events in the fish farm. However, we must be grateful to our teams in all six countries where we operate because as much as possible was grasped from the complicated circumstances and the achieved results of profitability left rather a positive note in the air as at the end of the year.

In 2012, the frozen goods business segment was the most successful out of all our business segments. The ice cream business segment, even with the decreased turnover, indicated increased profitability in the summary of all quarters; and the fish business segment, despite the decrease of the market price by 13%, indicated increase of sales volume by 2%. From the geographical point of view, the most successful was the business in the Baltic states, where the frozen goods business segment indicated growth and the profitability increased in the ice cream business segment.

Premia is a market leader in **the ice cream business segment** in the Baltic states. The key to such success are the strong brands and extensive product development activities aiming to provide consumers with more exciting flavours and surprise ice cream lovers throughout the year in all our target markets. The keywords in the ice cream business segment in 2012 were increased profitability in all markets and particularly in Russia where, after the relocation in 2011, it was finally possible to concentrate on modernizing the brands and product portfolio. The tendency, which will evidently continue in the upcoming years, is the increase of the proportion of private label products. For consumers, the increase of the proportion of private label products results in a narrowing assortment and in a slowdown of innovation, for producers; however, in price pressure. In such circumstances, the advantage for Premia lies in beloved brands and reliable quality. We continue to do our very best so that both, grown-up and tiny, ice cream lovers can enjoy the results of our work.

The **fish business segment** was the greatest contributor to the turnover of Premia also in 2012. As a result of the decreased price of raw fish, compromises in turnover had to be made; however, profitability did not decrease considerably and as at the end of the year even a small increase in sales volumes was achieved. The Finnish market, which is the primary target market of Premia's fish business segment, is highly competitive and several bigger and smaller competitors in this market, unlike Premia, have not earned profit in years. Premia earned operating profit also in the summary of the year 2012, and the increase of the sales of HoReCa products by 80%, being the result of intense product development, contributed to that as well. However, the year 2012 did not pass without extraordinary events – in May 2012, a process began in the course of which 17 tons of fish fingerlings were destroyed in the fish farm of Premia's subsidiary Överumans Fisk AB at request of the Swedish Board of Agriculture. Such request resulted from the higher than normal mortality of fish fingerlings established by the Board of Agriculture; however, as at the end of the year, the reasons of such higher than normal mortality remained unclear. As the resolution to destroy the fish fingerlings does not affect the everyday production and sales activities of fish products, Premia deems it necessary to await the final results of the proceedings and is considering, depending on the results, its opportunities to file claims.

The **frozen goods business segment** was successful in 2012. The turnover as well as the profit increased and the greatest growth was this time achieved in the Lithuanian market. The growth was a result of the development of the product portfolio and the gradual decline of the influence of the economic recession. The HoReCa sector is recovering and retail consumption is also indicating signs of growth. In the 4th quarter, Premia started the sales of frozen goods products in Russia with the long run goal of evening out seasonality driven impacts, i.e. using the same model as in the Baltics.

For the shareholders of Premia Foods, the year 2012 meant dividends as well as payments from the decrease of the share capital. In 2012, in accordance with to our approved dividend policy, Premia paid its shareholders dividends in the amount of 0.01 euro per share. In addition to dividends, according to the resolution of the General Meeting of shareholders adopted in May 2012, the share capital was decreased by altogether 3.9 million euro, as a result of which the shareholders were paid an additional 0.1 euro per share. The dividends and the payments made in connection with the share capital decrease resulted in the rate of return of 17% for the share of Premia Foods on an annual basis, which is the best dividend rate of the year, if compared to the other companies listed on the NASDAQ OMX Tallinn Stock Exchange.

While facing 2013, we remain balanced. Premia's main focus remains continuously on profitability, great emphasis is put on product development and ensuring efficiency of product portfolio in all target markets. In our forecast we have relied on information available to us as at the end of the year 2012 as to the prices of raw material as well the competitive situation.

In 2013, there will be some changes in the management of Premia Foods. During the seven years in Premia, a small Estonian ice cream producer has evolved into a large and international listed food company. It has been an extremely interesting and challenging time. Without doubt, Premia's team spirit and professionalism have been the key to success, which have led to such fast development. In order to ensure the dynamic development of the company, a generational change is taking place in the management. As of 15 May 2013, Katre Kõvask, the current member of the Management Board and the marketing director, will continue as the Chairman of the Management Board and I will, provided that approved by the resolution of the General Meeting of shareholders, continue as a member of the Supervisory Board of Premia Foods by advising the company on a strategic level. Silver Kaur will continue as a member of the Management Board and the sales director and Erik Haavamäe, currently a member of the Supervisory Board of Premia Foods, will, provided that approved by the resolution of the General Meeting of shareholders, continue as a member of the Management Board and the CFO. I am very happy to continue, now as a member of the Supervisory Board, my co-operation with the management that has taken part in the building of Premia on a daily basis for the past seven years. To the new management and to entire Premia Foods I wish strength and success in achieving the set goals.

Kuldar Leis

AS Premia Foods

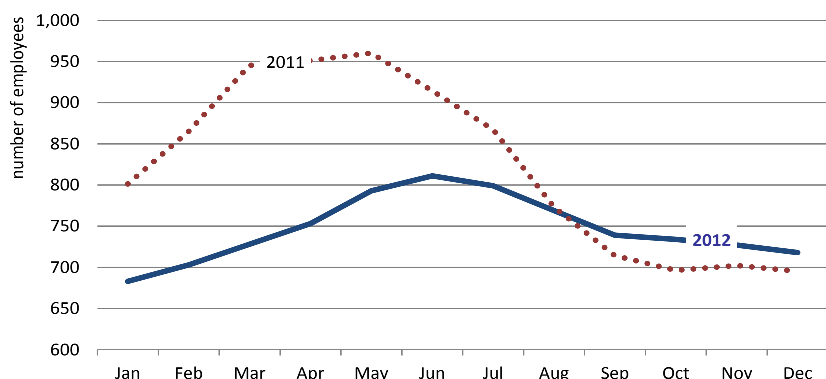
Chairman of the Management Board

TEAM

The average number of employees in 2012 was 747 people, which is 75 people, i.e. 9% less, if compared to the last year. As at the end of 2012, Premia employed altogether 718 people, which is 3%, i.e. 23 people more than in 2011.

The total amount of remuneration and employment taxes in 2012 was 11.5 million euro. The personnel costs decreased over the year by 7%, i.e. 0.8 million euro during the 12 months. The decrease occurred due to the restructuring of the Russian business unit in 2011. The average cost per person was in 2012 15.4 thousand euro (in 2011 14.9 thousand euro).

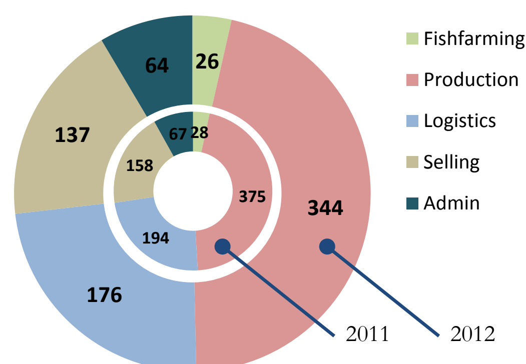
Premia's human resources needs vary per months as indicated below:



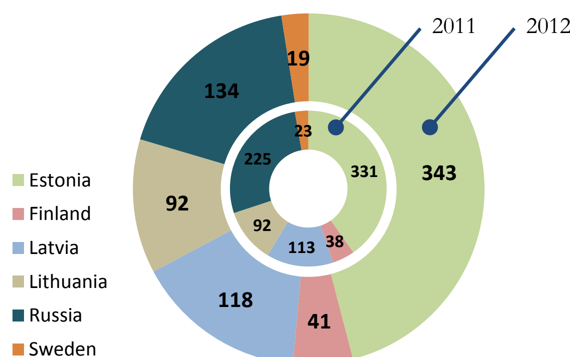
As may be seen from the chart on the left, human resources needs are higher during the summer period and this is due to the seasonal nature of ice cream production. During the high season Premia uses additional seasonal staff.

The division of Premia's human resources by areas of activity has remained unchanged. Around 50% of the employees are engaged in the fish farming and production process. Compared to year 2011, the number of employees has decreased in Russia and increased in Estonia.

Per areas of activity, the staff of Premia was in 2011 and in 2012 divided as follows:



Per countries; the staff of Premia was in 2011 and in 2012 divided as follows:



The people working for Premia and the team spirit are a few of the most important assets of Premia. Motivating people and driving them to achieve the set personal goals is 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 payments of bonuses are decided after approval of the audited annual report. Furthermore, the payment terms of dismissal compensations set forth in the employment agreements of the management of Premia Foods and all the subsidiaries are also identical.

The Supervisory Board members of Premia Foods were in 2012 remunerated in the total amount of 46 thousand euro (in 2011, 33 thousand euro). The increase of remuneration is arises from the changes in the remuneration arrangements as approved by the ordinary General Meeting held on 29 May 2012 when it was decided to pay the Chairman of the Supervisory Board the gross amount of 1,000 euro per calendar month and to the Vice-Chairman of the Supervisory Board the gross amount of 750 euro per calendar month. Previously, the monthly remuneration of a member of the Supervisory Board was 500 euro. In addition to the above, it was resolved to pay the members of the Supervisory Board who are not Estonian residents the gross amount of 500 euro for each attendance at a Supervisory Board meeting in Estonia. 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 seven 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, by supporting which we wish to draw attention and raise the consciousness.

1. **Sportive lifestyle**

   For 6 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 a 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.

   In addition Premia was represented in several pan-Baltic sports' events assisting and impelling the sport of youth. Sufficient activity and sportive lifestyle of youth guarantees us strong and healthy progeny.

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 faraway countries and discover what is valued and what the development trends are. Premia considers valuable to contribute into broadening of the mind of us all and therefore, in 2012, we supported numerous culture projects.

   Viljandi Folk, the most popular festival in Estonia introducing local and foreign folk music was held also in 2012 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.

   Premia, its products and brands participated actively in the local cultural life also in other Baltic states and in St. Petersburg. In St. Petersburg, Premia took part in the local **international ice cream day**, which is the annual opening event of the spring and summer season organized by the city of St. Petersburg.

3. **Our environment**

   Human activities have left their marks on the nature and entire planet, there are multiple extinct bird and animal species, and 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 9 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, Lithuania. 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

In 2012, a symbolic event took place for Premia's Tallinn based ice cream factory and for fish production units in Finland and Estonia –the work under the ISO 22000:2005 certificates as awarded to the factories began. It is an achievement and also recognition for Premia, as only the production units following the highest quality standards are awarded with such certificates. The awarded ISO-certificates serve as a warranty to our clients, end-users as well as co-operation partners that top quality and efficiency are our top priorities. At the same time, it ensures caring for the environment.

Premia Foods has several fish farms and altogether four production units, two of which are fish production units 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 2012.

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, which 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.

From the environmental protection point of view, using modern (BAT) waste water treatment plants at the Finnish and Swedish fish slaughter houses should be emphasised. In addition to the fish gutting waste water, the waste water of the village's row houses is cleaned without charge in Finland and the plan is to direct the waste water of the rest of the village to our water treatment facility in the near future, the environmental burden to the local water source will decrease considerably as a result thereof. Saving the environment is also achieved through Premia's new fish gutting equipment in the Swedish fish farming unit, which decreases the environmental burden 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 freshly introduced fish melting system has decreased the yearly water usage by 2,000 m^3. 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 2013 in all its production and processing units in respect of both – production operations and the usage of package materials.

MANAGEMENT REPORT

The audited consolidated turnover of Premia Foods of 2012 was 86.4 million euro. The turnover decreased by 1.9 million euro, i.e. 2.1%, if compared to the previous year. The proportion of export in the turnover was 70%.

The gross profit of 2012 was 23.7 million euro, having increased by 3.4%, i.e. 0.8 million euro, if compared to the previous year.

The gross margin of 2012 improved. The yearly average gross margin was 27.4%, which is 1.4 percentage points higher than in 2011. The growth in gross margin as well as in gross profit originates from increased profitability of the ice cream business segment and the frozen goods business segment.

The EBITDA from operations in 2012 was 5.1 million euro; in 2011 the respective number was 5.7 million euro. The material part of this decrease came from the fish and fish products business segment.

The impact of the revaluation of livestock to the profit of year 2012 was -1.4 million euro, in 2011 the respective figure was -0.5 million euro. The revaluation of livestock does not influence Premias's everyday activities.

While summarizing year 2012, Premia earned net profit in amount of 0.1 million euro. The result improved by 0.6 million euro, if compared to 2011.

The following table summarises the key ratios of Premia Foods in last three financial years.

KEY RATIOS

Profit & Loss, EUR mln	formula	**2012**	2011	2010
Sales		**86.4**	88.3	77.3
Gross profit		**23.7**	22.9	18.7
EBITDA from operations	before one-offs and fair value adjustment	**5.1**	5.7	4.4
EBITDA	earnings before interest, tax, depreciation and amortisation	**3.3**	4.1	7.1
EBIT		**0.1**	0.2	3.1
Net profit		**0.1**	-0.6	1.3
Gross margin	Gross profit / Net sales	**27.4%**	26.0%	24.2%
Operational EBITDA margin	EBITDA from operations/Net sales	**5.9%**	6.4%	5.7%
EBIT margin	EBIT / Net sales	**0.1%**	0.2%	4.0%
Net margin	Net earnings / Net sales	**0.1%**	-0.6%	1.7%
Operating expense ratio	Operating expenses / Net sales	**26.2%**	25.8%	24.8%

Balance Sheet, EUR mln	formula	**31.12.12**	31.12.11	31.12.10
Net debt	Short and Long term Loans and Borrowings - Cash	**13.8**	11.3	11.2
Equity		**36.5**	40.5	41.4
Working capital	Current Assets - Current Liabilities	**12.1**	13.7	12.8
Assets		**63.2**	64.1	68.9
Liquidity ratio	Current Assets / Current Liabilities	**1.91**	2.19	1.87
Equity ratio	Equity / Total Assets	**58%**	63%	60%
Gearing ratio	Net Debt / (Equity + Net Debt)	**28%**	22%	21%
Net debt-to-EBITDA	Net Debt / EBITDA from operations	**2.71**	1.98	2.54
ROE	Net Earnings / Average Equity	**0%**	-1%	4%
ROA	Net Earnings / Average Assets	**0%**	-1%	2%

BUSINESS SEGMENT ANALYSIS

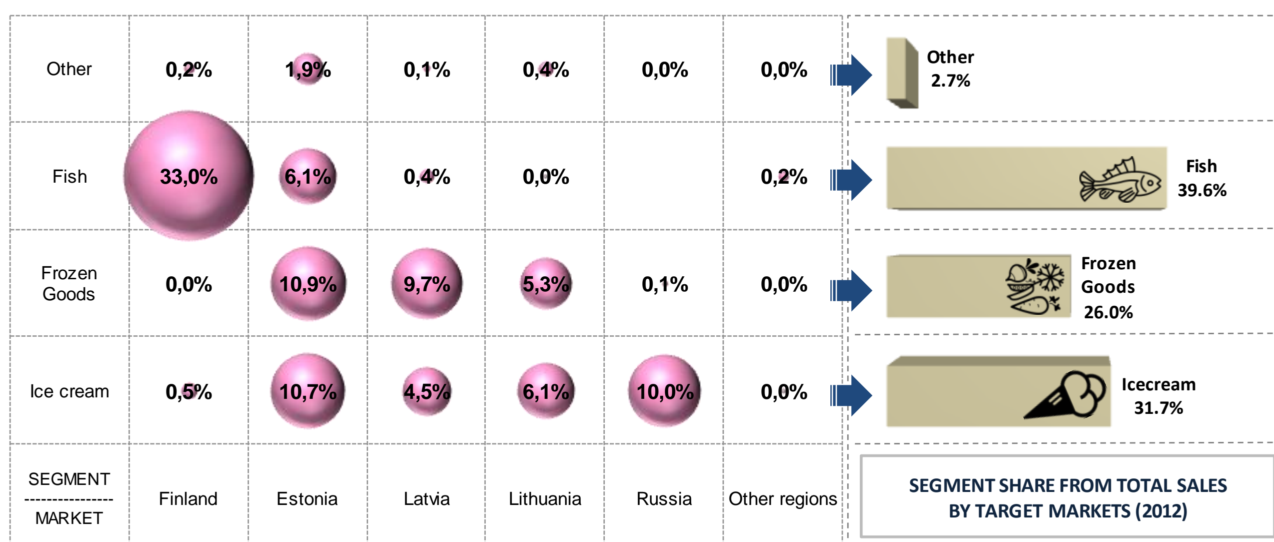
As at today, Premia Foods operates in five target markets and three business segments, whereas Premia is represented among the three leading brands in all its target markets and business segments as set forth in the business strategy of the company.

On the basis of the turnover results of the 2012, the product portfolio of Premia Foods is dominated by the fish and fish products business segment with the proportion of 40%, followed by the ice cream business segment with the proportion of 32% and the frozen goods business segment holding the proportion of 26% of the product portfolio. Comparing to the year 2011, the proportion of the frozen goods business segment has increased by 3 percentage points, the proportion of the ice cream business segment has decreased by 1 percentage point and the proportion of the fish business segment has decreased by 2 percentage points.

In the summary of 2012, the fish business segment remains the leading business segment, Finland being its main target market. In addition to the fish products, Premia also sells ice cream in the Finnish market to some extent. The second largest target market of chilled fish and fish products is Estonia; Latvia and Lithuania remain focused on the sales of frozen fish and fish products. While in the Baltic market, the portfolio is evenly divided between ice cream and frozen goods, then in Russia the sales of frozen goods products began only in the 4th quarter of 2012 and today the proportion of this category in the local portfolio is still unremarkable.

In summary of the above, the product portfolio and the geographical reach of Premia Foods remains well balanced during the reporting period.

The associations between Premia Foods business segments and geographical markets have been summarized in the following chart:



SEGMENT ANALYSIS

EUR million	2012	2011	2010
Sales			
Ice cream	27.4	28.8	26.4
Frozen goods	22.4	20.6	19.8
Fish and fish products	34.2	36.9	29.8
Other	2.3	1.9	1.3
Total	**86.4**	**88.3**	**77.3**
Gross profit			
Ice cream	11.8	10.5	10.0
Frozen goods	5.1	4.6	4.5
Fish and fish products	6.0	7.2	3.9
Gross margin			
Ice cream	43%	37%	38%
Frozen goods	23%	22%	22%
Fish and fish products	18%	19%	13%

EUR million	2012	2011	2010
EBITDA from operations			
Ice cream	2.4	2.6	3.4
Frozen goods	-0.3	-0.3	-0.6
Fish and fish products	3.3	3.8	1.5
EBITDA			
Ice cream	2.4	1.5	3.4
Frozen goods	-0.3	-0.3	-0.6
Fish and fish products	1.5	3.3	4.1
EBIT			
Ice cream	1.3	0.0	1.9
Frozen goods	-0.9	-0.9	-1.4
Fish and fish products	0.5	2.1	3.0

Fish and fish products business segment

The turnover of the fish and fish products business segment was 34 million euro in the summary of the year. In 2012, the fish and fish products business segment as a whole was characterized by the decreased prices of raw fish, which had a direct impact on the turnover of Premia's fish business segment. In 2012, the average market price of rainbow trout remained 13% lower; however, the average selling price of Premia's fish business segment was lower by only 8.7%, while comparing to 2011. In terms of sales volumes, the sales increased by 2% in 2012. Retail chains in Finland keep their focus on private label products, therefore, in 2012, Premia focused on developing and launching products with a higher additional value. Premia's turnover in the HoReCa sector increased by 80% in 2012, if compared to the previous year. As at the end of the year, Premia is at the 2nd place per its market share in the Finnish chilled packaged fish sector.

In the summary of 2012, the gross margin of the fish and fish products business segment was 18%, which is 1 per centage point lower than the average result of 2011.

In the summary of the year, the fish business segment earned a gross profit in the amount of 6.1 million euro which is 1.1 million euro less than in 2011.

The operational EBITDA of the fish business segment was 3.3 million euro in 2012, which is 0.5 million euro less than the result of the respective period in 2011.

The proceedings, which were initiated in May 2012, and in the course of which Premia's subsidiary Överumans Fisk AB was required by the Swedish Board of Agriculture to destroy 17 tons of fish fingerlings in its farm by the end of the 3rd quarter of 2012, have not been finalised by the end of the reporting period. The reasons of the higher than normal mortality of fish remain unclear and the competent authorities of Sweden continue to conduct corresponding analysis. Premia Foods is still considering claiming compensation of damages caused, however, deems it necessary to await the final results of the proceedings. The destruction decision does not have an impact on everyday production and sales operations of fish products.

The operating profit of the fish business segment has in 2012 decreased by 1.5 million euro, if compared to the same period previous year, and is 0.6 million euro. The decrease of operating profit arises, in the amount of 0.9 million euro, from the revaluation of livestock and, in the amount of 0.5 million euro, from the one-time loss resulting from destroying the patches of fingerlings.

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 about 30% 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 1.4 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 2012, the ice cream business segment generated a turnover in the amount of 27.4 million euro for Premia which is 5% less than the result of the previous year. Taking into account the poor weather conditions in all the target markets during the main sales period of ice cream, i.e. the 2nd and the 3rd quarter, this result may be considered a positive result. As one can recall, the summer of 2011, particularly the 2nd quarter, was exceptionally hot in the Baltics as well as in North-West Russia, and, therefore, several sales records of many preceding years were broken.

For Premia, the following keywords characterize the year 2012 in the ice cream business segment:

- ensuring the market leader position in the Baltics;
- launch of new brand portfolio in Russia, which had undergone a complete change;
- focusing on profitability as the main priority in all our target markets.

The **gross margin** of the ice cream business segment improved in 2012, if compared to the same period of 2011, by as much as 7 percentage points, reaching 43%. The gross margin improved the most, i.e. by 13 percentage points, in Russia. The improvement of the margin is the result of the changes made in product portfolios; the prices remained unchanged in 2012. Despite the decrease in turnover, the ice cream business segment earned 1.3 million euro, i.e. 12%, more gross profit than during the same period of 2011.

The operational EBITDA of the ice cream business segment of 2012 was 2.4 million euro which is by 0.2 million euro less, if compared to the results of 2011. In the summary of 2012, the ice cream business segment has earned 1.3 million euro more operational profit than during the same period of 2011.

In the summary of the 12 months of 2012, Premia continues to be the market leader in the Baltics with the market share of 22%. Although the Baltic ice cream markets are relatively small, they are very competitive and dynamic, at the same time culturally very different as well as different in terms of taste preferences. The characteristic features of 2012 in all the Baltic markets were a large number of new products, strong advertising campaigns and the invasion of private label products. The

increase of the proportion of private label products results in a narrowing assortment and in a slowdown of innovation for consumers; however, for producers, in an increasing price-based competition.

In Premia's Russian business unit Khladokombinat No 1, during the reporting period, the focus was placed on the profitability, which resulted in an increase of gross profit by 0.8 million euro. In the St. Petersburg's ice cream market, the year 2012 was also characterized by abundant marketing activity in the form of mass media campaigns and sales campaigns. As at the end of 2012, Khladokombinat No 1 holds the third largest market share in St. Petersburg's ice cream market.

The below charts indicate the division of market shares in the Baltic ice cream markets from the beginning of 2011 until the end of 2012.

Q1'11	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12
Others	Others	Others	Others	Others	Others	Others	Others
Private Label 18%	Private Label 17%	Private Label 16%	Private Label 16%	Private Label 16%	Private Label 14%	Private Label 15%	Private Label 16%
Competitor 3	Competitor 3	Competitor 3	Competitor 3	Competitor 3	Competitor 3	Competitor 3	Competitor 3
Competitor 2	Competitor 2	Competitor 2	Competitor 2	Competitor 2	Competitor 2	Competitor 2	Competitor 2
Competitor 1	Competitor 1	Competitor 1	Competitor 1	Competitor 1	Competitor 1	Competitor 1	Competitor 1
Premia 25%	**Premia 22%**	**Premia 22%**	**Premia 24%**	**Premia 23%**	**Premia 23%**	**Premia 22%**	**Premia 22%**

Source: AC Nielsen, management estimation

Frozen goods business segment

The frozen goods business segment was Premia's most successful business segment in 2012 – both, the turnover and the gross profitability, increased.

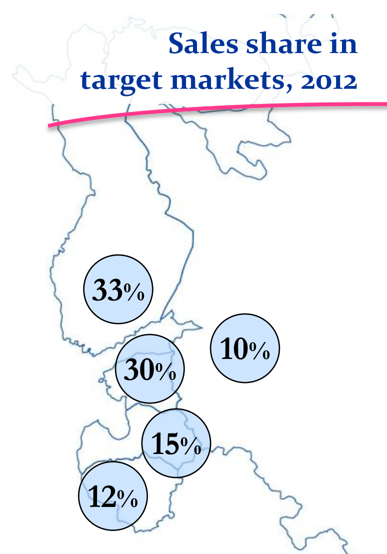
All Baltic states contributed to the sales growth of 8.7% as achieved in the summary of the year; however, if compared to 2011, the turnovers in Latvia and Lithuania increased the most.

The increase of the gross margin by 1 percentage point resulted in the increase of the gross profit by 0.5 million. In 2012, the gross margin of the frozen goods business segment was 23% and the gross profit was 5.1 million euro.

In all Premia's target markets, the frozen goods business segment is recovering from the economic recession; however, the price sensitivity of people is still high. It is noteworthy that in the 4th quarter of 2012, Premia began its first sales of frozen goods in St. Petersburg's market, which aims, similarly to the business model used in the Baltics, to even out the seasonality in turnover and costs of the ice cream sales. While bearing that in mind, frozen goods are well-suited with ice cream because the seasonality trends are opposite to the ones of ice cream. It means that the peak of the sales of frozen vegetables, meat products, etc. is winter and spring. Therefore, the frozen goods are well-suited with the already existing infrastructure, i.e. the sales and marketing teams and logistics.

BUSINESS SEGMENT ANALYSIS BY MARKETS

	GEOGRAPHICAL MARKETS				
Sales (EUR million)	**2012**	2011	2010	12/11	11/10
Finland	**29.0**	31.8	26.2	-9%	+21%
Estonia	**25.6**	25.2	21.6	+2%	+17%
Latvia	**12.7**	11.7	10.9	+9%	+7%
Lithuania	**10.2**	9.6	9.3	+6%	+4%
Russia	**8.7**	9.8	9.2	-12%	+7%
Other	**0.2**	0.2	0.2	+3%	+19%
export share	*70%*	*71%*	*72%*		



In 2012, Premia's turnover generated in all the Baltic markets increased and the greatest turnover increase was achieved in the Latvian market, followed by the markets of Lithuania and Estonia. In the summary of 2012, the turnover generated by Premia in the Baltic markets increased by 2 million euro, if compared to 2011. In Finland, the turnover was influenced by the reduced prices of raw fish; in Russia, in 2012, on the other hand, major restructuring of the product portfolio was carried out with the aim to focus on profitability.

COST ANALYSIS

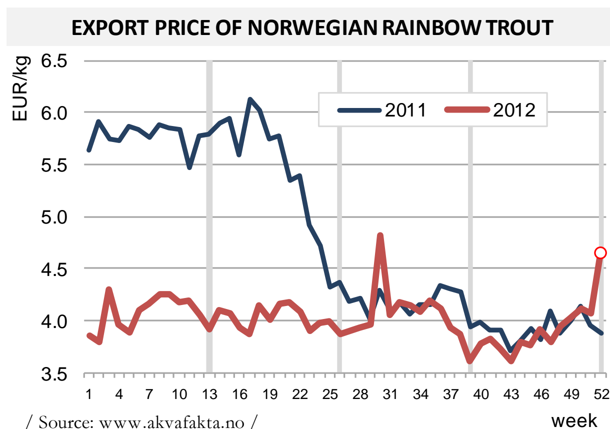
In the summary of the 12 months of 2012, if compared to the same period of 2011, Premia has managed to decrease the cost of goods sold by 2.7 million euro and the operating costs have decreased by 0.2 million euro during the same period.

	2012 *EUR mln*	2011 *EUR mln*	change *EUR mln*	2012 *as % of sales*	2011 *as % of sales*	change *as % of sales*
Sales	**86.4**	**88.3**	**- 1.9**	**100.0%**	**100.0%**	
Cost of goods sold	**- 62.7**	**- 65.4**	**- 2.7**	**72.6%**	**74.0%**	**- 1.4%**
incl one-off exp	- 0.4	- 0.6	- 0.2	0.5%	0.7%	- 0.2%
materials in production & cost of goods purchased for resale	- 52.0	- 53.9	- 1.9	60.1%	61.0%	- 0.9%
labour costs	- 4.9	- 5.3	- 0.4	5.7%	5.9%	- 0.3%
depreciation	- 1.4	- 1.9	- 0.5	1.6%	2.1%	- 0.5%
other cost of goods sold	- 4.5	- 4.4	+ 0.1	5.2%	5.0%	+ 0.2%
Operating expenses	**- 22.6**	**- 22.8**	**- 0.2**	**26.2%**	**25.8%**	**+ 0.4%**
incl one-off exp	- 0.0	- 0.4	- 0.3	0.0%	0.4%	- 0.4%
labour costs	- 6.6	- 7.0	- 0.4	7.6%	8.0%	- 0.3%
transport & logistics services	- 3.9	- 4.1	- 0.2	4.5%	4.7%	- 0.1%
depreciation	- 1.8	- 2.1	- 0.3	2.1%	2.4%	- 0.3%
marketing	- 2.4	- 2.3	+ 0.1	2.8%	2.6%	+ 0.2%
other operating expenses	- 7.8	- 7.2	+ 0.6	9.0%	8.2%	+ 0.9%
Other income/expenses	**0.3**	**0.5**	**+ 0.1**	**-0.4%**	**-0.5%**	**+ 0.1%**
incl one-off exp		- 0.1	- 0.1		0.1%	- 0.1%

In respect of the operating costs, there has been a decrease in almost all cost categories during the reporting period, however, there has been an increase of 0.1 million euro regarding the marketing costs. This increase occurred due to the increased activity in protecting and/or increasing the market shares in the Baltic and St. Petersburg's markets. Due to the increased activity in the St. Petersburg's market, the costs for the display of products in retail chains and retail market, to which during the previous years considerably less attention had been paid, have increased. This cost has been reflected among other operating costs and it has, therefore, partly resulted in the increase of other operating costs.

EBITDA from operations in 2012, i.e. operating profit before market price driven revaluation of livestock, one-off income and expenses, and amortisation expenses, was 5.1 million euro which is by 0.6 million euro less than during 2011. In 2011, there were one-off expenses in the amount of 1.1 million euro occurred in connection with the relocation of the ice cream production unit in Russia. In 2012, the one-off expenses in the amount of 0.5 million euro occurred in connection with the destruction of fish fingerlings in the Swedish fish farms.

The net profit of 2012 of the company was 0.1 million euro which is 0.6 million euro more than in 2011.



/ Source: www.akvafakta.no /

As at 31.12.2012, 87% of Premia's livestock is rainbow trout and 10% whitefish breed in the fish farms in Finland and Sweden.

The loss arising from the revaluation of livestock during 2012 was -1.4 million euro (the same number for 2011 was -0.5 million euro).

In addition to the non-monetary effect of revaluation arising from the destruction decision of the fish fingerlings in the amount of 420 thousand euro, the difference of livestock, if compared to the same period previous year, occurred due to the strengthened exchange rate of the Swedish kroon and the continuously low market prices of whitefish. The market price of whitefish as at the balance sheet date was 22% less than the comparable price of the previous year.

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.

FINANCIAL POSITION

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

The cash flow from operations in 2012 was 4.1 million euro (4.9 million euro during the same period of 2011). The difference in the cash flow from operations arises from the launch of non-recourse factoring in the Finnish and in the Lithuanian markets in 2011, which had a positive impact on the change of receivables of 2011 in the amount of 2.5 million euro. In 2012, payments in the amount of 4.3 million euro, i.e. 0.11 euro per share, were made to the shareholders, which means that the dividend rate was 17%.

LIQUIDITY AND SOLVENCY RATIOS

Ratio	*formula*	**31.12.12**	31.12.11	31.12.10
Liquidity ratio	Current Assets / Current Liabilities	**1.91**	2.19	1.87
Equity ratio	Equity / Total Assets	**58%**	63%	60%
Gearing ratio	Net Debt / (Equity + Net Debt)	**28%**	22%	21%
Net debt-to-EBITDA	Net Debt/EBITDA from operations	**2.71**	1.98	2.54

Gearing ratio, i.e. the proportion of net debt in the total capitalisation was 28% (on 31.12.2011, the respective ratio was 22%). In the 4th quarter of 2012, the company raised an additional long term loan in the amount of 3.9 million euro with the purpose of making payments to shareholders in connection with the share capital decrease. While analysing the liquidity and solvency ratios the impact of the aforementioned adjustment of the capital structure should be taken into account. Comparable gearing ratio, i.e. without the equity distributions, would have been 20% as at 31.12.2012. The level of net debt as at the balance sheet date was 13.8 million euro (on 31.12.2011, the respective indicator was 11.3 million euro).

Net debt to EBITDA was 2.71 (1.98) as at 31.12.2012. In case of elimination of the aforesaid equity distributions, the respective comparable ratio would have been 1.95 as at 31.12.2012. The liquidity ratio demonstrating short-term solvency was as at 31.12.2012 1.91 (2.19). The proportion of equity in the balance sheet total was 58% (63%) and the company had working capital in the amount of 12.2 million euro (13.7 million euro).

BALANCE SHEET ANALYSIS

The consolidated balance sheet total of Premia Foods was at 31.12.2012 63.2 million euro, having decreased by 0.9 million euro, i.e. 1.5%.

The company's current assets amounted to 25.4 million euro and the balance of cash and bank accounts was 1.4 million euro. As at 31.12.2012, the company had undrawn overdraft facility limit in the amount of 1.7 million euro.

Accounts receivable and prepayments amounted to 8.2 million euro and 90% of the accounts receivable and prepayments were trade receivables. Compared to the previous year, the accounts receivable and prepayments increased by 14%, i.e. 1.0 million euro. The increase of receivables has arisen from increased non-factoring sales in the HoReCa sector in the fish business segment.

Comparing to 31.12.2011, inventories and biological assets combined have decreased by 8%, i.e. 1.4 million euro. If compared with the situation on 31.12.2011, the livestock inventories decreased in monetary value by 2.5 million euro, i.e. 31%. The decrease of biological assets have occurred due to the decrease of the biomass of livestock by 28%, which, in turn, has partly occurred due to the increased amount of slaughtered fish during the 4th quarter of 2012, at the same time, the stock of raw material has increased by 1.0 million euro. Due to the afore-mentioned increase of the stock of raw material, the inventories have increased by 12%, i.e. 1.1 million euro, if compared to 31.12.2011.

Accounts payable and prepayments have, if compared to 31.12.2011, increased by 11%, i.e. by 0.9 million euro. The liabilities in total have increased by 13%, i.e. by 3.1 million euro, to 26.7 million euro. The main reason for the increase of liabilities is the drawdown of additional long-term loan in the amount of 3.9 million euro for making capital reduction payments to the shareholders with the aim to restructure the capital structure of the company.

The equity of Premia Foods was as at 31.12.2012 36.5 million euro.

INVESTMENTS

During the accounting period, i.e. during 2012, the expenditures into Premia Foods' tangible and intangible assets formed 2 019 thousand euro (in 2011: 1 772 thousand euro). The largest investment during the financial year was purchasing a new workboat at the cost of 343 thousand euro in order to operate the Finnish fish farms more effectively. During 2012, financial investments in the total amount of 11 thousand euro were made, there were no financial investments made in 2011.

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 0.50 euro (nominal value was 10 EEK until 13 April 2011 and 0.60 euro until 3 September 2012).

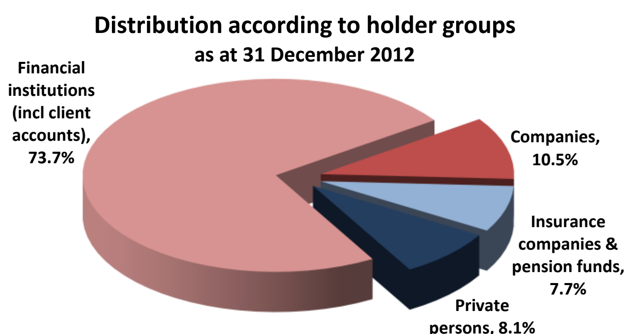
ISIN	EE3100101031	Issued shares	38 682 860
Symbol of share	PRF1T	Listed shares	38 682 860
Market	BALTIC MAIN LIST	Listing date	05.05.2010
Nominal value	0.50 EUR		

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 2012.

In accordance with the resolution of the General Meeting of shareholders of AS Premia Foods, dated 29 May 2012, the share capital of the company was decreased by decreasing the nominal value of the share with making payments to the shareholders. As a result of the above, the nominal value of the share decreased from 60 cents to 50 cents as at 29 August 2012 at 23:59.

Shareholder structure

Major shareholders of Premia Foods AS as at 31.12.2012:
ING Luxembourg S.A. (nominee account) ---------62.71%
LHV Pensionifond L-------------------------------------- 4.41%
OÜ Rododendron --------------------------------------- 3.36%
Firebird Republics Fund Ltd. --------------------------- 3.09%
Ambient Sound Investments OÜ --------------------- 2.94%
Firebird Avrora Fund. Ltd. ----------------------------- 1.68%
LHV Pensionifond XL ----------------------------------- 1.48%
OÜ Footsteps Management ----------------------------- 1.27%
Compensa Life Vienna Insurance Group SE -------- 1.09%
OÜ Freespirit -- 0.94%



As at 31.12.2012, the members of Management and Supervisory Board and persons/companies related to them hold the shares in the company as indicated below:

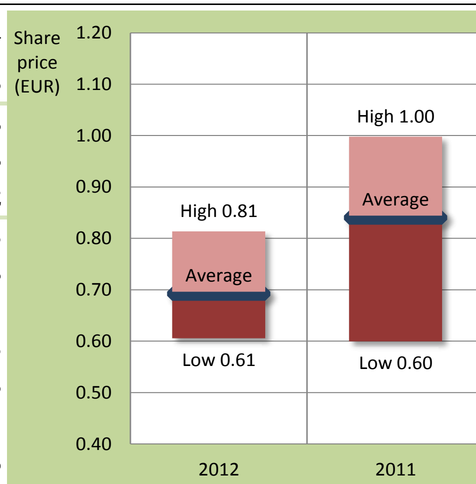
Shareholder	31.12.2012 No of shares	%
Chairman of the Management Board – Kuldar Leis	1,302,166	3.37%
Member of the Management Board – Katre Kõvask	493,828	1.28%
Member of the Management Board – Silver Kaur	365,141	0.94%
Chairman of the Supervisory Board – Indrek Kasela	41,823	0.11%
Member of the Supervisory 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 – Arko Kadajane	8,928	0.02%
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	**2,612,128**	**6.75%**

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	662	44.7%	339,830	0.9%
1,001..10,000	709	47.9%	2,161,257	5.6%
10,001..50,000	79	5.3%	1,511,494	3.9%
50,001..100,000	9	0.6%	593,770	1.5%
More than 100,000	21	1.4%	34,076,509	88.1%
Total	1,480	100.0%	38,682,860	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:

	2012	2011	2010
The average number of shares during the trading period (in thousands)[1]	38,674	38,664	38,664
Opening price (EUR)	0.67	0.95	0.93
The highest price of the share (EUR)	0.81	1.00	1.08
The lowest price of the share (EUR)	0.61	0.60	0.78
Average price of the share (EUR)	0.69	0.84	0.92
Closing price at the year-end (EUR)	0.64	0.64	0.95
Number of shares traded (in thousands)	1,393	4,564	7,048
Turnover (in million EUR)	0.97	3.84	6.51
Market value (in million EUR)	24.76	24.76	36.75
Profit per share (EUR)	0.00	-0.01	0.03
Dividend per share (EUR) [2]	0.11	0.01	0.01
Dividend rate	17.2%	1.6%	1.1%
Dividend / net profit	5813%	-70%	30%
Enterprise value / sales [3,7]	0.4	0.4	0.6
Price-to-EBITDA from operations[4,7]	4.8	4.3	8.3
Price-to-EBITDA[4,7]	7.5	6.0	5.2
Price earnings [5,7]	338.2	neg	28.2
Price-to-book [6,7]	0.7	0.6	0.9



[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] Year 2012 dividends include capital reduction payments of 0.10 euro per share

[3] Market value + Net debt at the year-end / turnover of the period; non-operating items like investment property and government grants have not been taken into account in enterprise value calculation

[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

[7] Enterprise and equity value calculations do not take into account non-operating items like property investment and government grants

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.

The 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 (hereinafter **Premia**) complies with all principles set out in CGR. This report outlines the principles of CGR not fully observed by Premia and describes the reasons thereof.

One of the priorities of Premia 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 Premia, a remarkable development was achieved in respect of improving the quality of the management of the company and the investor relations thereof. Complying with the established quality standards of the management of the company and the investor relations thereof continued during the financial year ended on 31 December 2012.

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 resolution of the General Meeting of shareholders is required in order to amend the Articles of Association. The resolution to amend the Articles of Association has been adopted if at least 2/3 of the votes represented at the General Meeting have voted in favour thereof.

The General Meeting of shareholders is authorised to adopt resolutions if more than half of the 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 Premia

During the financial year ended on 31 December 2012 there was only one (the ordinary) General Meeting of shareholders held by Premia. The ordinary General Meeting of shareholders was held on 29 May 2012. The agenda of the ordinary General Meeting of shareholders included, in addition to approving the annual report for the financial year 2011 and resolving the distribution of profit, electing of a new member of the Supervisory Board, amendments to the Articles of Association, decrease of the share capital, appointing auditor for the financial year 2012 and resolving remuneration payable to the auditor, approving the amendments of the terms of stock options granted to the members of the Supervisory Board and remunerating the members of Supervisory Board.

Altogether 29 shareholders attended the ordinary General Meeting of shareholders of Premia, the shares of which represented altogether 32,179,908 votes, which represented 83.19% 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 and on 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 was convened duly and timely. The notices on convening the General Meeting 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 web-page of Premia and via the information system of the NASDAQ OMX Tallinn Stock Exchange.

All materials containing information on the items in the agenda of the General Meeting of shareholders were made available to all the shareholders before the meeting 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 Premia. The notice of convening the General Meetings of shareholders contained, 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. The General Meeting of shareholders was conducted in the manner enabling all the shareholders to participate at the meeting, ask questions and make proposals. The shareholders were provided with an opportunity to make speeches. Premia provides the shareholders with access to the information related to the General Meeting of shareholders also after the meeting – all minutes and resolutions of the General Meeting of shareholders are available on the web-page of Premia. The documents of the General Meeting of shareholders are available via the information system of the NASDAQ OMX Tallinn Stock Exchange.

According to the opinion of the management, Premia has during the financial year ended on 31 December 2012 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 Premia were enabled to get information in respect of the issues placed into the competence of the General Meeting of shareholders, to attend the General Meeting of shareholders and vote at the General Meeting of shareholders. The General Meeting was conducted in a timely and efficient manner. The language of the General Meeting 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 2012, Premia 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 Meeting of shareholders is 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 Premia is broad-based and international and mainly due to the hectic working schedule of the members of the Supervisory Board all the members of the Supervisory Board were not able to attend the General Meetings. The Chairman of the Supervisory Board Indrek Kasela, Vice-Chairman Lauri Kustaa Äimä and member of the Supervisory Board Erik Haavamäe attended the ordinary General Meeting of shareholders as the representative of the Supervisory Board. The auditor of Premia did not attend the ordinary General Meeting of shareholders.

In the opinion of the management of Premia, the failure to attend the General Meeting by other 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 Meeting and all the shareholders were granted the opportunity to get additional information in respect of the items in the agenda of the General Meeting prior to the meeting. 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 meeting 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 ordinary General Meeting of Premia via electronic devices for two main reasons – first of all, Premia has not used the opportunity to conduct the General Meetings also in an electronic format, secondly, Premia 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 Premia has ever been interested in the possibility to attend the General Meeting of shareholders in an electronic format. The Management Board of Premia 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 Premia, 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 Premia

Currently, the Supervisory Board of Premia 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), Vesa Jaakko Karo (elected on 17 August 2009) and Arko Kadajane (elected on 29 May 2012). Hence, the terms of office of the current members of the Supervisory Board will expire as follows: for Indrek Kasela, Lauri Kustaa Äimä and Erik Haavamäe on 8 December 2013, for Aavo Kokk and Harvey Sawikin on 5 May 2014, for Jaakko Karo on 17 August 2014 and for Arko Kadajane on 29 May 2017. The Supervisory Board of Premia includes three independent members – Aavo Kokk, Vesa Jaakko Karo and Arko Kadajane.

The Chairman of the Supervisory Board is Indrek Kasela and the Vice-Chairman of the Supervisory Board is Lauri Kustaa Äimä.

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, AS Ridge Capital and as a Management Board member of OÜ Transtech Service, OÜ X-pression, 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 Premia 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 and MTÜ Eesti Maleliit 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 Premia since May 2009. Mr Aavo Kokk is currently the manager and partner of the investment company Catella Corporate Finance (Estonia) and a member of the Supervisory Board of AS Audentes and a member of the Management Board of 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 Premia 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 Premia since August 2009. Currently he is the partner of Cumulant Capital Fund Management, being the fund manager of Cumulant Capital Northern Europe Fund.

Arko Kadajane (born 1981) graduated from the Estonian Business School in international business management and he has been a member of the Supervisory Board of Premia since May 2012. Currently he is a portfolio manager of Ambient Sound Investments OÜ, a member of the Supervisory Board of AS Saho and a member of the Management Board of OÜ Juniper and OÜ Portfellihaldur.

At the ordinary General Meeting of shareholders held on 29 May 2012 Arko Kadajane was elected as an additional member of the Supervisory Board of Premia. The *curriculum vitae* of the additional Supervisory Board member candidate was made available to the shareholders before the meeting and all the shareholders were ensured with the possibility to ask additional questions. The Supervisory Board member candidate attended personally the General Meeting and all the shareholders present at the meeting had the opportunity to become acquainted with the Supervisory Board member candidate and to ask him additional questions. Some of the shareholders used such opportunity.

The total amount of remuneration paid to the members of the Supervisory Board in 2012 was 46 thousand euro. The ordinary General Meeting of shareholders held on 29 May 2012 resolved to change the remuneration procedure of the members of the Supervisory Board and to remunerate the work of the Chairman of the Supervisory Board in the gross amount of 1,000 euro per calendar month and the Vice-Chairman of the Supervisory Board in the gross amount of 750 euro per calendar month. In addition, it was resolved to pay the members of the Supervisory Board, who are not Estonian residents, the gross amount of 500 euro for each attendance at a Supervisory Board meeting in Estonia. Remuneration paid to the audit committee consisting of two members are also included in the amount of remuneration paid to the members of the Supervisory Board. 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 Premia, 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 2012, 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 Premia 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 Premia 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 Premia in not aware of any conflict of interests between the interests of the members of the Supervisory Board and the company.

Management Board

General Remarks

Management Board is the representative body of a public limited company being responsible for day to-day management of the latter. According to the Articles of Association of Premia, the Management Board of Premia 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 Premia 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 Premia. 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 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 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 OÜ Lottesõbrad, OÜ Solarhouse and Rododendron OU.

Katre Kõvask (born 1975) graduated from University of Tartu in 1998, having specialized in marketing and foreign trade and has been the marketing director and a member of the Management Board of AS Premia Tallinna Külmhoone since 2006 and a member of the Management Board of Premia 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 a member of the Management Board of Premia 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 Premia 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 Premia, Katre Kõvask is the head of marketing and product development of Premia and the member of the Management Board responsible for the public and investor relations in all target markets of Premia, the areas of responsibility of Silver Kaur are the management of sales activities in all the target markets of Premia.

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 any person related to the latter) and the company. In 2012, 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.

Premia does not comply with the requirement to publish the remuneration, bonus system and other payments and benefits received by the members of the Management Board on the web-page of the company (Section 2.2.7 of CGR). Premia 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 2012, the gross amount of remuneration paid to the members of the Management Board was 156 thousand euro. Further, breakdown of all amounts paid to the members of the managing bodies is indicated in the Note 31 of the consolidated annual report of the company. Despite the partial compliance with the named CGR Section, the management of Premia is of the opinion that the remuneration paid to the members of the Management Board are in compliance with the tasks and work load of the members of the Management Board and with the economic situation of Premia.

In the frames of the management and key employee option plan as approved by the Supervisory Board and the General Meeting of shareholders of Premia, 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.

Qualifying Holding

The only shareholder of Premia with a qualifying holding within the meaning of the Securities Market Act is Amber Trust II S.C.A which, as at 31 December 2012, holds 62.71% of all the shares of Premia. The shares of Premia owned by Amber Trust II S.C.A are kept at the nominee account of ING Luxembourg S.A.

Each share of Premia grants the shareholder uniform rights, none of the shareholders has securities of Premia granting specific rights of control. According to the knowledge of the management of Premia, there are no restrictions of voting rights or agreements which do not arise from law or have not been stipulated in the Articles of Association of Premia.

Audit Committee

According to the Auditing Activities Act, Premia as a public company is under the obligation to have an audit committee. Audit 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 Premia resolved to elect Aavo Kokk as the Chairman of the audit committee and Mairi Paiste as the member of the audit committee.

In 2013, the audit 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 2012, the total gross amount paid as remunerations to the members of the audit committee amounted to 4 thousand euro.

Disclosure of Information

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

Information is published on web-page of the NASDAQ OMX Tallinn Stock Exchange and the web-page of Premia (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.

Premia has published the financial calendar (Section 5.2 of CGR) as well as all other information which must be accessible to the shareholders on its web-page (Section 5.3. of CGR).

Reporting

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

According to the requirements of the Commercial Code, Premia prepares and discloses the Supervisory Board's report on the annual report.

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

According to the Commercial Code and Premia's Article of Association, electing the auditor is in the competence of the General Meeting. The General Meeting of Premia which was held on 29 May 2012 elected AS PriceWaterhouseCoopers to carry out the audit of the financial year 2012. According to the contract, Ago Vilu acts as the leading auditor and Lauri Past acts as the auditor performing the client contract. AS PricewaterhouseCoopers has been the auditor of Premia since 2011. Previously the auditor of Premia was Grant Thornton Rimess OÜ.

Premia ensures the independence of the auditor by arranging rotation of the leading auditor and the auditor performing the client contract according to the valid requirements and good practice.

The auditor is remunerated in accordance with the agreement executed with the auditing company. Premia publishes in the notice on convening the General Meeting of shareholders the information and data required by law and Premia's Articles of Association. According to Section 6.2.1. of CGR, the Supervisory Board discloses the auditor's fee that the issuer has paid or intends to pay to auditor for auditing services. Premia has not complied with the named requirement in the full extent because it is considered as the auditing company's business secret, disclosure of which could substantially damage the competition position of the auditing company.

AS PricewaterhouseCoopers has not submitted a note to the Supervisory Board and the General Meeting of Premia concerning the failure to follow the CGR requirements by the Management Board or the Supervisory Board. Therefore, the requirements set forth in Section 6.2.4 of the CGR have not been followed in the full extent. There are two reasons for that – firstly, AS PricewaterhouseCoopers does not have an contractual obligation to submit such note; and, secondly, the auditing company has not in the course of its work detected any circumstances which would be considered failure to comply with the requirements of CGR but that have not been covered in this report.

The Supervisory Board of Premia has not identified any deficiencies in the work of the auditor.

Management Board's confirmation to the Management Report

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

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

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 8, 2013

Member of the Management Board Silver Kaur .... April 8, 2013

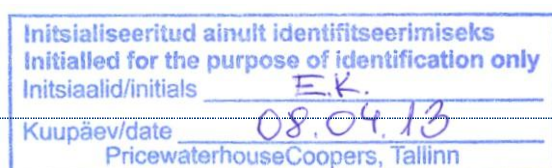
Member of the Management Board Katre Kõvask .... April 8, 2013

Consolidated financial statements

Consolidated statement of financial position

as at 31 December	31.12.2012 EUR '000	31.12.2011 EUR '000	Note
Cash and cash equivalents	1,357	712	(Note 5)
Receivables and prepayments	8,152	7,150	(Note 6)
Inventories	10,308	9,174	(Note 7)
Biological assets	5,631	8,179	(Note 8)
Non-current assets held for sale	0	9	
Total current assets	**25,448**	**25,224**	
Deferred income tax assets	473	435	(Note 10)
Long-term financial investments	131	89	(Note 11)
Investment property	2,084	2,084	(Note 12)
Property, plant and equipment	12,499	13,271	(Note 13)
Intangible assets	22,548	23,015	(Note 14)
Total non-current assets	**37,735**	**38,894**	
TOTAL ASSETS	**63,183**	**64,118**	
Borrowings	3,953	2,793	(Note 17)
Factoring	0	236	(Note 3)
Payables and prepayments	9,399	8,465	(Note 18)
Total current liabilities	**13,352**	**11,494**	
Borrowings	11,239	9,170	(Note 17)
Deferred income tax liabilities	659	1,278	(Note 10)
Government grants	1,479	1,668	(Note 19)
Total non-current liabilities	**13,377**	**12,116**	
Total liabilities	**26,729**	**23,610**	
Share capital	19,342	23,210	
Share premium	16,026	16,026	
Treasury shares	0	- 30	
Statutory reserve capital	6	0	
Other reserves	42	21	
Currency translation differences	485	391	
Retained earnings	553	890	
Equity attributable to equity holders of the parent	**36,453**	**40,508**	
Total equity	**36,453**	**40,508**	(Note 20)
TOTAL LIABILITIES AND EQUITY	**63,183**	**64,118**	

The notes on pages 35 to 69 are an integral part of these consolidated financial statements.



Consolidated statement of comprehensive income

For the year ended 31 December	2012 EUR '000	2011 EUR '000	Note
Revenue	86,381	88,290	(Note 21)
Cost of goods sold	-62,698	-65,362	(Note 22)
Gross profit	**23,683**	**22,928**	
Sales and marketing expenses	-18,208	-18,123	(Note 23)
General and administrative expenses	-4,393	-4,660	(Note 24)
Other income and expenses, net	345	485	(Note 27)
Revaluation of biological assets	-1,363	-459	(Note 8)
Operating profit	**64**	**171**	
Finance income	148	9	(Note 28)
Finance costs	- 673	- 878	(Note 28)
Profit / loss before income tax	**- 461**	**- 698**	
Corporate income tax	534	144	(Note 29)
Net profit / loss for financial year	**73**	**- 554**	
Other comprehensive income			
Currency translation differences	94	56	
Other comprehensive income	**94**	**56**	
Total comprehensive income / expense	**167**	**- 498**	
Net profit / loss for the financial year:			
Attributable to equity holders of the parent	73	- 554	(Note 30)
Net profit / loss for the financial year	**73**	**- 554**	
Comprehensive income / expense for the financial year:			
Attributable to equity holders of the parent	167	- 498	
Total comprehensive income / expense	**167**	**- 498**	
Earnings per share			
Basic earnings per share (EUR)	0.00	- 0.01	(Note 30)
Diluted earnings per share (EUR)	0.00	- 0.01	(Note 30)

The notes on pages 35 to 69 are an integral part of these consolidated financial statements.

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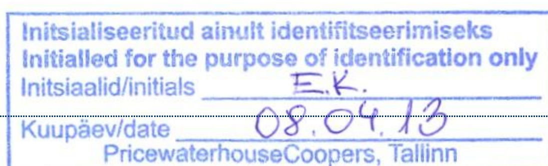
PricewaterhouseCoopers, Tallinn

Consolidated cash flow statement

	2012 EUR '000	2011 EUR '000	Note
Cash flows from operating activities			
Net profit / loss	**73**	**-554**	
Adjustments:			
Depreciation and amortisation	3,220	3,965	(Note 26)
Gain/loss on disposal of non-current assets	-25	73	(Note 27)
Other non-monetary changes	192	302	
Changes in receivables and prepayments	-1,049	2,848	(Note 6)
Changes in inventories	-1,134	-624	(Note 7)
Changes in biological assets	2,548	182	(Note 8)
Changes in payables and prepayments	396	-1,210	(Note 18
Government grants for operating expenses	23	4	(Note 19)
Corporate income tax paid	-131	-119	
Net cash generated from operating activities	**4,113**	**4,867**	
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets	172	193	
Acquisition of property, plant and equipment and intangible assets	-1,174	-1,347	(Note 13, 14)
Government grants for acquisition of assets	72	340	(Note 19)
Purchases and sales of other financial investments	0	-1	
Acquisition of associate	-1	0	
Loans granted	-11	0	
Repayments of loans granted	9	9	
Interest received	4	4	
Gains from financial investments	1	0	
Net cash used in investing activities	**-928**	**-801**	
Cash flows from financing activities			
Acquisition of non-controlling interest in subsidiaries	0	-38	(Note 20)
Change in overdraft facility	1,025	636	(Note 17)
Repayments of borrowings	-8,256	-2,002	(Note 17)
Borrowings	10,145	1,608	(Note 17)
Change in factoring liability	-236	-2,526	
Payments of finance lease principal	-534	-752	(Note 15)
Reduction of share capital	-3,868	0	(Note 20)
Transfer of own shares	13	0	(Note 20)
Dividends paid	-387	-387	
Interest paid	-442	-646	
Net cash used in financing activities	**-2,540**	**-4,107**	
NET CASH FLOWS:	**645**	**-41**	
Net change in cash and cash equivalents			
Cash and cash equivalents at beginning of the year	**712**	**722**	
Net change in cash and cash equivalents	645	-41	
Effect of exchange rate changes	0	31	
Cash and cash equivalents at end of the year	**1,357**	**712**	(Note 5)

The notes on pages 35 to 69 are an integral part of these consolidated financial statements.



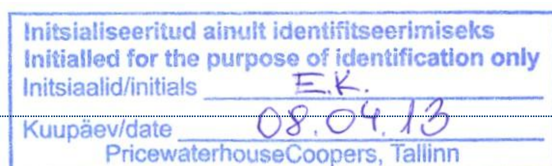
Consolidated statement of changes in equity

EUR '000

	Equity attributable to equity holders of the company								
	Share capital	Share premium	Treasury shares	Statu-tory reserve capital	Other reserves	Currency translation differences	Retained earnings	**Total**	**Total equity**
Balance at 31.12.2010	**24,723**	**14,513**	**-30**	**0**	**0**	**335**	**1,831**	**41,372**	**41,372**
Share option programme	0	0	0	0	21	0	0	**21**	**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	0	-387	**-387**	**-387**
Transactions with owners	**-1,513**	**1,513**	**0**	**0**	**21**	**0**	**-387**	**-366**	**-366**
Net profit for the financial year	0	0	0	0	0	0	-554	**-554**	**-554**
Other comprehensive income	0	0	0	0	0	56	0	**56**	**56**
Total comprehensive expense	**0**	**0**	**0**	**0**	**0**	**56**	**-554**	**-498**	**-498**
Balance at 31.12.2011	**23,210**	**16,026**	**-30**	**0**	**21**	**391**	**890**	**40,508**	**40,508**
Share option programme	0	0	0	0	21	0	0	**21**	**21**
Statutory reserve capital	0	0	0	6	0	0	-6	**0**	**0**
Reduction of nominal value of the share	-3,868	0	0	0	0	0	0	**-3,868**	**-3,868**
Dividends	0	0	0	0	0	0	-387	**-387**	**-387**
Transfer of own shares	0	0	30	0	0	0	-17	**13**	**13**
Transactions with owners	**-3,868**	**0**	**30**	**6**	**21**	**0**	**-404**	**-4,221**	**-4,221**
Net loss for the financial year	0	0	0	0	0	0	73	**73**	**73**
Other comprehensive income	0	0	0	0	0	94	0	**94**	**94**
Total comprehensive expense	**0**	**0**	**0**	**0**	**0**	**94**	**73**	**167**	**167**
Balance at 31.12.2012	**19,342**	**16,026**	**0**	**6**	**42**	**485**	**553**	**36,453**	**36,453**

The notes on pages 35 to 69 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 NASDAQ OMX 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 8 April 2013. 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 for the year 2012 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.

Application of new or amended standards and interpretations

New or amended standards and interpretations which became mandatory for the Group from 1 January 2012 do not have a material impact on the Group.

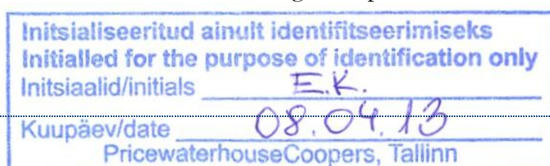
New or amended standards and interpretations

- 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 a 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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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.

IFRS 9, Financial Instruments : Classification and Measurement - (effective for annual periods beginning on or after 1 January 2015). IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities, and in December 2011 to change its effective date and add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

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

IFRS 10, Consolidated Financial Statements - (effective for annual periods beginning on or after 1 January 2013), The standard replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the standard on its financial statements.

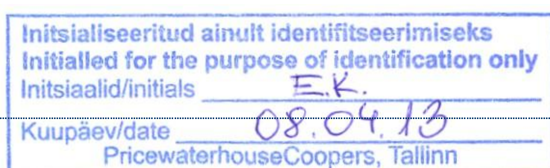
Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7(effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

Improvements to International Financial Reporting Standards, issued in May 2012(effective for annual periods beginning on or after 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, Borrowing costs, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual 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 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 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.

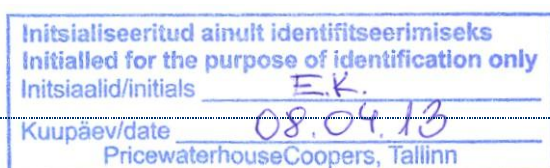
The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this 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.

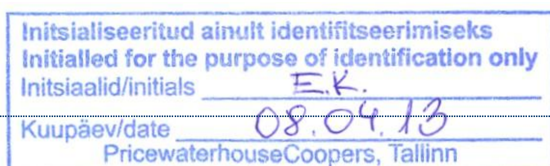
An allowance for impairment losses is recognised whenever there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Such circumstances may include significant financial difficulties of the debtor, bankruptcy or default or delinquency 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.

Derivative instruments

Derivative instruments (interest rate swaps) are carried in the balance sheet at their fair value. Gains and losses on derivative instruments are accounted for in the income statement as income and expenses for the period. The Group does not use special hedge accounting rules described in IAS 39 for recognition of derivative instruments acquired for hedging purposes.

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.

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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.

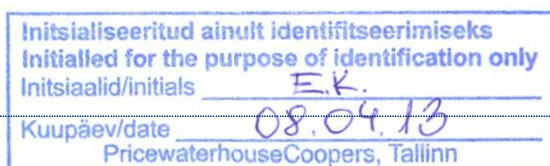
Depreciation of an asset begins when the asset is available for use for the purpose intended by management and is ceased when the residual value exceeds the carrying amount, when the asset is permanently withdrawn from use or is reclassified as held for sale. At each balance sheet date, the validity 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.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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 expenditure 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.

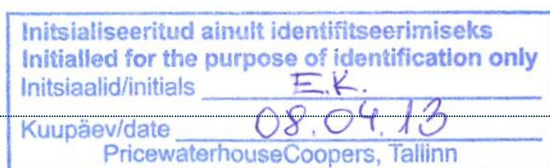
For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Goodwill is tested for impairment by performing an impairment test on the cash-generating unit which goodwill has been allocated to. The recoverable 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 roe up 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.

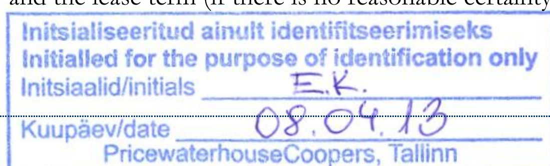
Gains and losses arising from fair value adjustments of biological assets are recognised in the separate line "”Revaluation of biological assets" in the statement of comprehensive income. Agricultural produce is recognised at fair value less estimated costs to sell.

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.

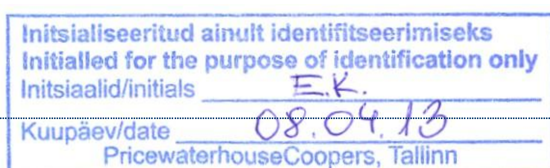
Current and deferred income tax

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.

As at 1 January 2013 the income tax rate changed in Sweden. The rate applicable until then was 26,3% which was replaced by the rate 22%. As at 1 January 2014 the income tax rate will change in Finland. The rate applicable until then is 24,5% which is replaced by the rate 20%.

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

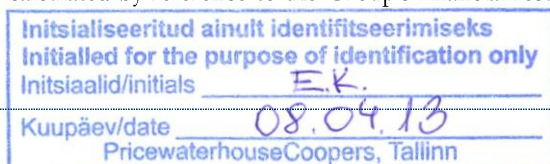
The fair value of the services provided by the employees to the Group (work contribution) in exchange for shares is recognised as an expense in the statement of comprehensive income and in the line "Other reserves" in equity over the vesting period (from the date of issue of a convertible bond until 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 are 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.

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 31.12.2012 EUR '000	Available for sale financial assets	Loans and receivables	Total
Cash and bank (Note 5)	0	1,357	1,357
Trade receivables (Note 6)	0	7,348	7,348
Other receivables (Note 6)	0	43	43
Shares	72	0	72
Total	**72**	**8,748**	**8,820**

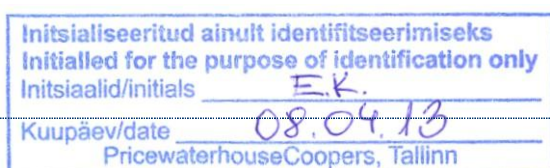
Financial liabilities at 31.12.2012 EUR '000	Liabilities at amortised cost
Borrowings (Note 17)	15,192
Trade payables (Note 18)	6,397
Prepayments from clients (Note 18)	120
Other payables (Note 18)	163
Total	**21,872**

Financial assets at 31.12.2011 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 31.12.2011 EUR '000	Liabilities at amortised cost
Borrowings (Note 17)	11,963
Factoring	236
Trade payables (Note 18)	5,537
Prepayments from clients (Note 18)	33
Other payables (Note 18)	114
Total	**17,883**

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 up to 90 days	Not impaired, past due over 90 days	Impaired	Total
at 31.12.2012 (Note 6)	5,757	1,283	308	47	7,395
at 31.12.2011 (Note 6)	6,019	146	103	56	6,324

In 2012, the Group has written down doubtful receivables in the amount of EUR 30 thousand (2011: EUR 69 thousand), in accordance with the Group's rules for assessing trade receivables on the basis of expected cash flows. The client base of the Group is stable and long-term and up to now the credit history has not given base to write down receivables which are past due up to 90 days. Available financial resources are kept in the banks of Danske, SEB, Pohjola and Swedbank.

Trade receivables (not due) by country

At 31 December

EUR '000	2012	2011
Finland	1,557	1,200
Estonia	1,939	2,115
Latvia	869	936
Lithuania	732	994
Russia	660	774
Total trade receivables not due	**5,757**	**6,019**

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.

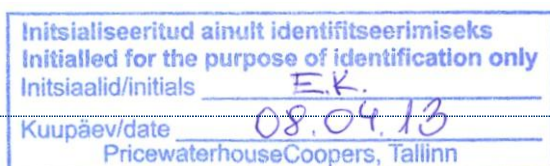
Overdraft facilities are used to finance working capital, long-term bank loans or finance lease agreements are used to purchase non-current assets. The Group is highly-leveraged, therefore liquidity management is one of the Group's priorities.

As at 31 December 2012, the Group's working capital was EUR 12,095 thousand (31 December 2011: EUR 13,730 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 2012, the balance of the unused overdraft facility was EUR 1,739 thousand (31.12.2011: EUR 2,064 thousand).

Analysis of undiscounted financial liabilities by due date:

31.12.2012, EUR '000	less than 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	Total
Borrowings	674	3,576	11,750	8	16,008
Trade and other payables	6,205	475	0	0	6,680
Total liabilities	**6,880**	**4,051**	**11,750**	**8**	**22,688**



31.12.2011, EUR '000	less than 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	Total
Borrowings	636	2,501	9,695	0	12,832
Factoring	236	0	0	0	236
Trade and other payables	5,296	314	74	0	5,684
Total liabilities	**6,168**	**2,815**	**9,769**	**0**	**18,752**

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 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 2012 according to the underlying currency:

EUR '000	EUR	LTL	LVL	PLN	RUB	SEK	USD	Total
Cash and bank (Note 5)	900	200	171	0	71	16	0	1,357
Trade receivables (Note 6)	4,119	974	1,023	0	1,209	24	0	7,348
Other receivables (Note 6)	15	17	0	0	11	0	0	43
Shares	69	0	0	0	0	3	0	72
Total financial assets	**5,104**	**1,190**	**1,194**	**0**	**1,290**	**42**	**0**	**8,820**
Borrowings (Note 17)	-15,057	0	-96	0	-12	-27	0	-15,192
Trade payables (Note 18)	-3,595	-444	-1,187	-28	-949	-81	-113	-6,397
Other payables (Note 18)	-99	-62	0	0	-2	0	0	-163
Total financial liabilities	**-18,750**	**-505**	**-1,283**	**-28**	**-964**	**-108**	**-113**	**-21,752**
Net currency position	**-13,646**	**684**	**-89**	**-28**	**326**	**-66**	**-113**	**-12,932**
Possible change in the exchange rate (%)	0.00%	0.00%	±1.27%	±1.53%	±2.35%	±3.59%	±7.67%	x
Effect of exchange rate change on profit	**0**	**0**	**± 1**	**± 0**	**± 8**	**± 2**	**± 9**	**x**

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**

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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. Beginning from 2013 the Company has partially hedged the floating interest rate risk of a long-term investment loan with an interest rate swap with amortisation transaction, fixing the 3-month EURIBOR for the period of 15.01.13 to 17.07.17 at the level of 0.799%. As at the balance sheet date of 31.12.2012, the mark-to-market value of the financial instrument to hedge the portion of the loan in the amount of EUR 5,873 thousand was EUR -63 thousand, which is reported as a finance cost in the income statement. Had the future forecast of the value of the 3-month EURIBOR been 100 basis points higher, the value of this financial instrument would have been EUR 117 thousand as at the balance sheet date. Please also refer to Note 33.

If at 31 December 2012 or 31 December 2011, the base interest were 10 basis points lower or higher, interest expenses would be EUR 11 thousand (2011: EUR 13 thousand) higher or lower. Loans with a floating interest rate are linked to EURIBOR (1 to 6-month EURIBOR depending on the instrument). In addition to EURIBOR, finance lease liabilities are also based on 3-month Rigibor and MosPrime. Receivables with floating interest rates are based on 12-month EURIBOR.

An overview of the Group's exposure to interest rate risk at 31 December 2012 and 31 December 2011:

31.12.2012, EUR '000	**less than 1 year**	**over 1 year**	**Total**
Fixed interest rate			
Interest bearing liabilities (Note 17)	818	5,130	5,948
Net position	**818**	**5,130**	**5,948**
Floating interest rate			
Interest bearing receivables	4	7	11
Interest bearing liabilities (Note 17)	3,135	6,109	9,244
Net position	**3,131**	**6,102**	**9,233**

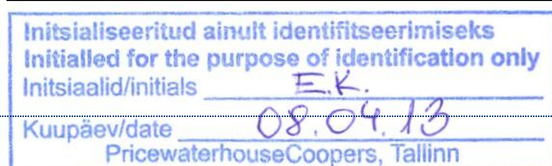
31.12.2011, EUR '000	**less than 1 year**	**over 1 year**	**Total**
Fixed interest rate			
Interest bearing receivables	1	8	9
Net position	**- 1**	**- 8**	**- 9**
Floating interest rate			
Factoring liability	236	0	236
Interest bearing liabilities (Note 17)	2,793	9,170	11,963
Net position	**3,028**	**9,162**	**12,190**

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.

	31.12.2012 EUR'000	**31.12.2011** EUR'000
Total borrowings	15,192	11,963
Less: Cash and cash equivalents	1,357	712
Net debt	**13,835**	**11,251**
Total equity	36,453	40,508
Total capital (net debt + equity)	50,289	51,759
Debt to equity ratio	**28%**	**22%**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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 2012 and 31 December 2011. 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

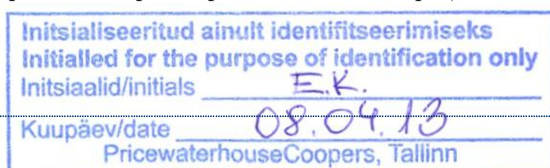
The Group uses special computer programmes and a web-based programme (Finnish marine farms) developed by the Company itself for calculating the biomass. The Group makes its estimates according to its best knowledge, relying on its previous experience. The result of inventory taken in spring depends on 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. Since there have been no significant changes in the price level of real estate market, the Management Board relies on the evaluation act compiled in March 2012.

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 as at 31. December 2012 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 2012 or 2011. The management has determined the useful lives of intangible assets considering the business conditions and volumes, past experience in the area, and future outlooks.

Note 5 Cash and cash equivalents

	31.12.2012 EUR '000	31.12.2011 EUR '000
Cash on hand	75	53
Short-term deposits	14	7
Cash in transit	0	23
Bank accounts	1,267	629
Total cash and cash equivalents	**1,357**	**712**

Note 6 Receivables and prepayments

	31.12.2012 EUR'000	31.12.2011 EUR'000
Trade receivables	7,395	6,324
Allowance for doubtful receivables [1]	-47	-56
Other receivables	36	98
Prepaid expenses	224	164
Prepaid taxes	213	433
Other prepayments	331	188
Total receivables and prepayments	**8,152**	**7,150**

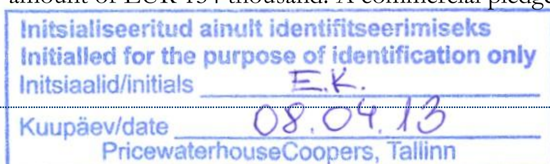
[1] Changes in allowance for doubtful receivables:	2012 EUR '000	2011 EUR '000
Allowance for doubtful receivables at beginning of the period	-56	-67
Doubtful receivables collected during the reporting period	5	1
Receivables recognised as doubtful receivables during the reporting period	-30	-69
Receivables written off the balance sheet during the reporting period	34	79
Allowance for doubtful receivables at end of the period	**- 47**	**- 56**

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

	31.12.2012 EUR '000	31.12.2011 EUR '000
Raw materials and materials	3,678	2,703
Work-in-progress	195	107
Finished goods	3,380	3,260
Goods purchased for sale	3,023	3,076
Prepayments for inventories and goods in transit	32	27
Inventories	**10,308**	**9,174**

In 2012, inventories were written off in the amount of EUR 211 thousand. In 2011, inventories were written off in the amount of EUR 154 thousand. A commercial pledge set as collateral for loans also covers inventories (see Note 17).



Note 8 Biological assets

Biological assets	31.12.2012 EUR'000	31.12.2011 EUR'000
Fry	945	1,248
Juveniles	1,181	1,075
Fish suitable for harvesting	3,505	5,856
Total biological assets	**5,631**	**8,179**

As at 31.12.2012, biological assets totalled 1,394 (31.12.2011: 1,940) tons. In the financial year, agricultural produce in the amount of 1,855 (2011: 1,655) tons was harvested.
Biological assets include the following species: rainbow trout (*Oncorhynchus mykiss*) 87.2% of biomass (2011: 79.6%), whitefish (*Coregonus lavaretus*) 9.9% of biomass (2011: 12.8%) and Arctic char (*Salvelinus alpinus*) 2.9% of biomass (2011: 7.6%).

Change in biological assets	2012 EUR'000	2011 EUR '000
Biological assets at beginning of the period	8,179	8,361
Purchased	460	495
Additions	4,227	4,842
Fair value adjustments	-1,363	-459
Harvested	-5,418	-4,667
Written off	-359	-147
Fry and live fish sold	-99	-221
Exchange rate differences	5	-25
Biological assets at end of the period	**5,631**	**8,179**

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 2,863 thousand (2011: EUR 4,383 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. As a consequence of the decision of the Swedish Ministry for Rural Affairs to destroy 17 tons fry, in the financial year the Group bear costs amounting to EUR 0.5 million. The amount comprised of write-off of biological assets in cost price in the amount of EUR 270 thousand to which legal and other costs related to the process were added.

Note 9 Subsidiaries

Subsidiary	Domicile	Ownership interest		Area of activity	Owner
		31.12.12	31.12.11		
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
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	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
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

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

One merger was completed in the financial year; SIA F.F.L.S was merged with AS Premia FFL. In 2011, two mergers were completed; OÜ TCS Invest was merged with Foods AS and Skärgårdshavets Fisk AB was merged with Överumans Fisk AB.

Note 10 Deferred income tax

Deferred income tax asset EUR '000	Tax losses	Other	**Total**
Deferred income tax assets as at 31.12.2010	458	41	499
Impact on income statement	-31	-30	-61
Impact on other comprehensive income	-2	-1	-3
Deferred income tax assets as at 31.12.2011	425	10	435
Impact on income statement	10	19	29
Impact on other comprehensive income	9	0	9
Deferred income tax assets as at 31.12.2012	444	30	474

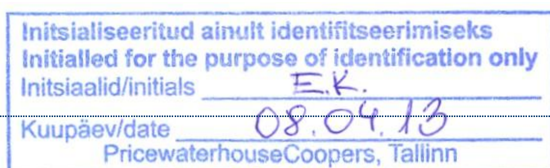
Deferred income tax liability EUR '000	Accelerated income tax amortisation	Fair value adjustment	Other	**Total**
Deferred income tax assets as at 31.12.2010	1,046	574	22	1,642
Impact on income statement	-195	-149	-13	-357
Impact on other comprehensive income	4	0	0	4
Impact on equity	-11	0	0	-11
Deferred income tax assets as at 31.12.2011	844	425	9	1,278
Impact on income statement	-51	-67	-503	-621
Impact on other comprehensive income	0	0	1	1
Deferred income tax assets as at 31.12.2012	793	358	-492	659

See also Note 29.

Note 11 Long-term financial investments

	31.12.2012 EUR'000	**31.12.2011** EUR '000
Loans (annual interest 12 month EURIBOR + 1.5%)	7	1
Shares at cost	62	61
Shares under equity method	51	17
Shares at market value	10	10
Total long-term financial investments	**131**	**89**

In the reporting period, the Group earned dividend and interest income on financial investments in the total amount of EUR 1.0 thousand, and EUR 0.9 thousand in the previous reporting period.



Note 12 Investment property

	2012 EUR'000	2011 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 Road 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 issued in March 2012. The independent expert's opinion, also serving as a basis of judgement for The Board of Management, uses the residual market value 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. The Management Board has assumed that the assumptions used in the expert opinion have not changed by the balance sheet date.

The expenses attributable to operating of the property are related to the technical supervision of construction in the amount of EUR 7 thousand in the financial year. In 2011, operating expenses amounted to approximately EUR 1 thousand. In the reporting period, rental income earned on investment properties totalled EUR 4 thousand (2011: EUR 4 thousand).

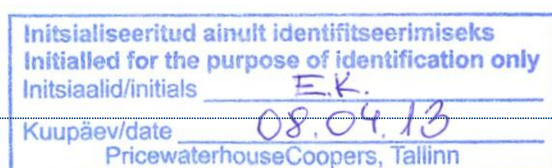
A mortgage set as collateral for the loans also covers the investment property (see Note 17).

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 31.12.2010	**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 31.12.2011	**5,116**	**7,611**	**379**	**165**	**13,271**
Additions during the period	135	1,618	106	29	1,888
Carrying amount of assets sold and written off	0	-144	0	0	-144
Reclassification	15	108	0	-123	0
Currency translation differences	24	82	1	3	109
Depreciation charge of the reporting period (Note 26)	-396	-2,110	-119	0	-2,625
Carrying amount as at 31.12.2012	**4,894**	**7,164**	**367**	**74**	**12,499**
Cost as at 31.12.2010	8,329	23,533	1,421	204	33,487
Accumulated depreciation as at 31.12.2010	-2,734	-14 691	-975	0	-18,400
Cost as at 31.12.2011	8,419	24,421	1,423	165	34,427
Accumulated depreciation as at 31.12.2011	-3,304	-16 809	-1,044	0	-21,156
Cost as at 31.12.2012	8,608	24,567	1,477	74	34,725
Accumulated depreciation as at 31.12.2012	-3,714	-17,402	-1,110	0	-22,226

As at 31.12.2012, the cost of fully depreciated non-current assets still in use is EUR 7,355 thousand (31.12.2011: EUR 6,928 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.



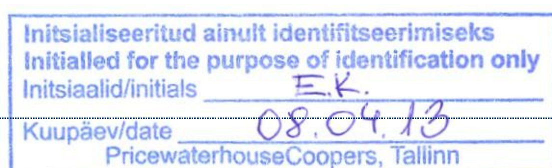
Note 14 Intangible assets

EUR '000	Goodwill	Client contracts	Trade-marks	Permits and connection fees	Software licenses	Pre-payments	**Total**
Carrying amount as at 31.12.2010	**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 31.12.2011	**19,942**	**345**	**1,748**	**594**	**269**	**116**	**23,015**
Additions during the period	0	0	6	2	30	94	131
Sold and written off	0	0	0	-2	0	0	-2
Reclassified	0	0	0	2	0	-2	0
Amortisation charge of the reporting period (Note 26)	0	-345	-105	-33	-112	0	-595
Carrying amount as at 31.12.2012	**19,942**	**0**	**1,649**	**563**	**187**	**207**	**22,548**
Cost as at 31.12.2010	19,942	2,301	2,102	782	641	78	25,846
Accumulated amortisation as at 31.12.2010	0	-1,483	-250	-155	-390	0	-2,278
Cost as at 31.12.2011	19,942	2,301	2,102	788	727	116	25,976
Accumulated amortisation as at 31.12.2011	0	-1,956	-353	-194	-458	0	-2,961
Cost as at 31.12.2012	19,942	0	2,107	790	747	207	23,793
Accumulated amortisation as at 31.12.2012	0	0	-458	-227	-560	0	-1,245

Division of goodwill by entity:

	Segment	**31.12.2012** EUR'000	**31.12.2011** 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 2012 and 2011, 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 1.0 and EV/EBITDA 8.6 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 2012. The recoverable amount determined in the test for all cash-generating units is higher than their carrying amount. Depending on the segment, a reduction up to 20% in the multiples used would not result in impairment.



Note 15 Finance lease

EUR '000	Machinery and equipment	Fixtures, fittings and tools	Total
Cost as at 31.12.2012	2,063	0	2,063
Accumulated depreciation as at 31.12.2012	-707	0	-707
Carrying amount as at 31.12.2012	**1,356**	**0**	**1,356**
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**

In the financial year, property, plant and equipment were purchased under the finance lease terms in the total amount of EUR 847 (2011: EUR 538) thousand.

	2012 EUR'000	**2011** EUR '000
Principal payments in the financial year	526	752
Interest expenses in the financial year	33	27
Average interest rate	3,1%	2,9%
Finance lease liabilities at 31 December, incl.:	**1 150**	**834**
Due in less than 1 year	363	394
Due between 1-5 years	779	440
Due after 5 years	7	0
Minimum finance lease payments:		
Due in less than 1 year	392	412
Due between 1-5 years	811	458
Due after 5 years	8	0
Total	**1 211**	**871**
Future interest expense of finance lease	-61	-37
Present value of finance lease liability	**1 150**	**834**

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 & equipment	Motor vehicles	Software	Total
Operating lease expense in 2012	2,415	38	104	23	2,580
Future lease payments under non-cancellable lease agreements:					
Due in less than 1 year	1,803	13	69	19	1,904
Due between 1 and 5 years	2,844	48	107	40	3,039
Due after 5 years	509	0	0	0	509
Total	**5,156**	**61**	**176**	**59**	**5,452**

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

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	31.12.12 EUR'000	31.12.11 EUR'000
Finance lease liabilities (Note 15)			**363**	**394**
Overdraft facility: limit of EUR 3,400 thousand	1-month Euribor+1.3%	18.07.2013	**1,661**	**636**
Investment loans, incl.			**1,929**	**1,763**
EUR 10,900 thousand	3-month Euribor+1.9%	18.07.2017	1,492	1,339
EUR 4,500 thousand	6-month Euribor+0.75%	25.10.2014	437	424
Total (Note 3)			**3,953**	**2,793**

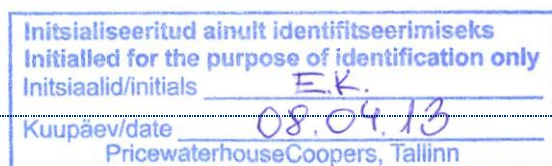
Long-term loans	Interest rate	Due date	31.12.12 EUR'000	31.12.11 EUR'000
Finance lease liabilities (Note 15)			**786**	**440**
Investment loans, incl.			**10,453**	**8,730**
EUR 10,900 thousand	3-month Euribor+1.9%	18.07.2017	8,430	6,267
EUR 4,500 thousand	6-month Euribor+0.75%	25.10.2014	2,023	2,463
Total (Note 3)			**11,239**	**9,170**

As at 31.12.2012, the loans are secured by mortgages on property in the amount of EUR 19,380 thousand (carrying amount of investment properties of EUR 2,084 thousand and "Land and buildings" in the amount of EUR 1,998 thousand) and by a commercial pledge in the amount of EUR 3,579 thousand set for other assets (excluding investment property and "Land and buildings").

In the 3rd quarter of 2012, the Company refinanced all of its borrowing and guarantee obligations of AS UniCredit Bank Estonia branch at AS SEB Pank. As a result of the refinancing, the risk margins of loans decreased by 10 basis points. For the Group, refinancing under comparable conditions translated into positive cash flows in the amount of approximately EUR 0.4 million due to the lower debt service burden. One-off expenses related to the refinancing of the loan portfolio totalled EUR 48 thousand.

As at 31.12.2011, the loans are secured by mortgages on property in the amount of EUR 15,748 thousand (carrying amount of investment properties of EUR 2,084 thousand and "Land and buildings" in the amount of EUR 3,431 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 addition, the collateral includes the shares of subsidiaries: AS Saaremere Kala, AS Premia Tallinna Külmhoone and AS Premia FFL.



Note 18 Payables and prepayments

	31.12.2012 EUR '000	31.12.2011 EUR '000
Trade payables	6,397	5,537
Payables to employees	1,222	1,200
Payables to group entities and shareholders (Note 31)	12	10
Interest payables	79	26
Prepayments from clients	120	33
Other payables	72	78
Tax liabilities, incl.:	1,497	1,581
Social security tax	323	303
VAT	947	1,071
Personal income tax	159	154
Corporate income tax	13	15
Other taxes	55	38
Total payables and prepayments	**9,399**	**8,465**

Note 19 Government grants

	2012 EUR '000	2011 EUR '000
Deferred income from government grants at the beginning of period	1,668	1,679
Government grants received during the period	19	367
Change in value due to exchange rates	18	18
Recognition as income during the period (Note 27)	-226	-396
Deferred income from government grants at end of the period	**1,479**	**1,668**

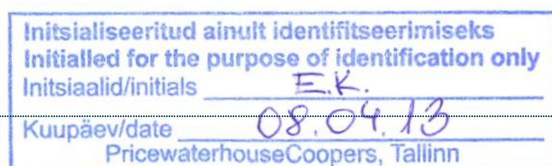
In the financial year, Enterprise Estonia (EE) funded the ISO 22000 development and certification project of AS Premia Tallinna Külmhoone in the amount of EUR 5 thousand. In 2011 EE funded the implementation of the export marketing plan of AS Premia Tallinna Külmhoone project with EUR 4 thousand. In addition, AS Premia Tallinna Külmhoone received a temporary limited state grant in the amount of EUR 14 thousand in 2012 (2011: EUR 6 thousand) by participating in the projects of the Association of Estonian Food Industry.
In 2011, the grants in the amount of EUR 353 thousand were received from the EU structural funds for the purpose of making investments in the fish segment.
In 2011, 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.

Note 20 Equity

At 31 December 2012, the Company had 38,682,860 shares (31 December 2011: 38,682,860) and 0 treasury shares (2011: 19,163). At 31 December 2012, the Company's registered share capital was EUR 19,342 thousand. As at 31 December 2011 the Company's registered share capital was EUR 23,210 thousand.

The reduction of the share capital of AS Premia Foods and the related changes in the Commercial Register were entered in the Commercial Register at 3 September 2012. The share capital was reduced in accordance with the decision of the General Meeting held at 29 May 2012 through reducing the nominal value of a share by EUR 0.1 (10 cents), as a result of which the new nominal value of the share of AS Premia Foods is EUR 0.5 (50 cents). The total reduction of the share capital of AS Premia Foods was EUR 3,868,286. The new amount of the share capital is EUR 19,341,430. The list of shareholders who participated in the reduction of the share capital was fixed as at 29 August 2012 at 23.59 and the distributions related to the reduction of the share capital in the amount of EUR 0.1 (10 cents) per share were made to the shareholders at 20 December 2012. The reduction of the share capital was related to the adjustment of the Group's capital structure with the goal of bringing the return on equity and other ratios to a more adequate level.

In conjunction with the reduction of the share capital, the articles of association were amended to the extent necessary for the recognition of the lower nominal value of the share. The amount of the minimum share capital as stipulated in the articles of association is EUR 15,000,000 and the maximum share capital is EUR 60,000,000 after the reduction of the share capital occurred at 3 September 2012.



At 6 June 2012, AS Premia Foods performed sales transactions with its shares on NASDAQ OMX Tallinn Stock Exchange, in the course of which 19,163 shares were transferred and depending on the specific transaction, the settlement date was either 11 June or 12 June 2012. All shares were transferred at the market price and the average price was EUR 0.683 per share.

At the General Meeting held at 29 May 2012, it was decided to pay dividends from retailed earnings in the amount of EUR 387 thousand or EUR 0.01 per share and transfer 5% of the net profit of AS Premia Foods, i.e. EUR 6,500 to statutory reserve capital. The list of the shareholders entitled to receive dividends was fixed as at 12 June 2012 at 23.59 and the dividends were paid out at 15 June 2012.

In 2011, the following changes occurred in share capital:

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.

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 the Group 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. In accordance with accounting principles described in IFRS 2, the counterhalf of the estimated cost is recorded in the statement of financial position on the row “other reserves”.

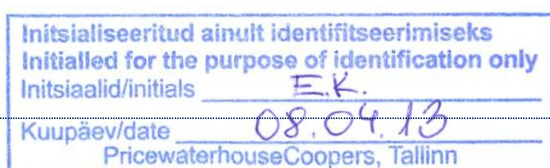
At the time of issuing options, the fair value of the option programme was determined using the Black-Scholes valuation model. A change in the fair value of options or shares during the period of the option programme does not affect the amount of income subsequently recognised in the income statement. 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%, and 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 conjunction with the reduction of the nominal value of the share by EUR 0.10 as decided at the General Meeting held at 29 May 2012, the subscription price of the option programme of the management and key employees was also reduced by EUR 0.10. In 2012 the expense of share-based payments recognised as personnel expense amounted to EUR 21 thousand (2011: EUR 21 thousand). As of the moment of compiling these financial statements, no options have been vested.

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 500 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.

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

Shareholder	**31.12.2012** number of shares	**31.12.2012** ownership interest	**31.12.2011** number of shares	**31.12.2011** 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%	4,063,456	10.504%

Earnings per share is presented in Note 30.



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 **2012**	*Note*	Fish	Ice cream	Frozen goods	Other segments	Eliminations	Total
External revenue		34,250	27,410	22,431	2,290	0	86,381
Finland		28,466	392	5	173,	0	29,036
Estonia		5,295	9,229	9,435	1,668	0	25,627
Latvia		306	3,898	8,391	79	0	12,674
Lithuania		27	5,228	4,549	365	0	10,168
Russia		0	8,627	51	2	0	8,680
Other countries		156	36	0	3	0	195
Intersegment revenue		0	0	2	24	-26	0
Total revenue of the segment		**34,250**	**27,410**	**22,433**	**2,314**	**-26**	**86,381**
Segment EBITDA from operations		3,303	2,377	-342	114	0	5,453
Unallocated EBITDA from operations							-343
Total EBITDA from operations [1]							**5,110**
Segment EBITDA		1,476	2,377	-342	114	0	3,626
Unallocated EBITDA (expenses of the Parent company)							-343
Total EBITDA							**3,283**
Depreciation and amortisation		-951	-1,122	-593	-32	0	-2,699
Unallocated depreciation and amortisation							-521
Total depreciation and amortisation	Note 26						**-3,220**

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EUR '000 **2012**	*Note*	Fish	Ice cream	Frozen goods	Other segments	Eliminations	Total
Operating profit of the segment		525	1,255	-935	82	0	927
Unallocated operating profit							-863
Total operating profit							**64**
Investments		1,059	567	367	17	0	2,010
Unallocated							9
Total investments	Notes 13,14						**2,019**
Inventories	Note 7	4,419	3,094	2,796	0	0	10,308
Biological assets	Note 8	5,631	0	0	0	0	5,631

[1] EBITDA before fair value adjustment on biological assets (EUR -1,363 thousand) and one-off expenses related to the destruction of Swedish fry (EUR -464 thousand).

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**
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).

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Non-current assets[1] by location	**2012** EUR '000	**2011** EUR '000
Finland	5,540	4,655
Estonia	12,834	14,630
Latvia	4,736	5,354
Lithuania	7,922	8,040
Russia	3,578	3,790
Sweden	2,522	1,901
Total	**37,132**	**38,370**

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

Revenue from clients whose sales are higher than 10% of consolidated revenues:

	2012 EUR '000	**2011** EUR '000
Client 1	18,012	17,545
Client 2	9,902	11,519
Total	**27,914**	**29,064**

Note 22 Cost of goods sold

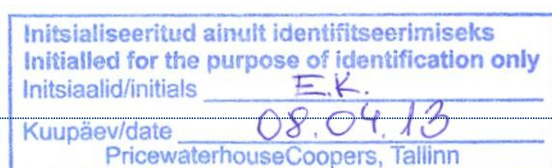
	2012 EUR '000	**2011** EUR '000
Cost of goods purchased for sale	-23,631	-22,644
Materials used in production	-28,323	-31,218
Staff costs (Note 25)	-4,886	-5,253
Depreciation and amortisation (Note 26)	-1,374	-1,851
Other costs of goods sold [1]	-4,484	-4,396
Total cost of goods sold	**-62,698**	**-65,362**

[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

	2012 EUR '000	**2011** EUR '000
Advertising, marketing and product development	-2,414	-2,321
Transportation and logistics services	-3,927	-4,121
Staff costs (Note 25)	-4,653	-4,941
Rent of warehouse premises	-1,413	-1,730
Depreciation and amortisation (Note 26)	-1,245	-1,441
Merchandising services	-1,311	-746
Utilities	-531	-540
Other lease expenses (excl. warehouse premises and cars)	-479	-397
External services	-297	-338
Other sales and marketing expenses [1]	-1,938	-1,548
Total sales and marketing expenses	**-18,208**	**-18,123**

[1] Other sales and marketing expenses include maintenance of equipment and buildings, insurance, staff-related costs and other services.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Note 24 General and administrative expenses

	2012 EUR '000	2011 EUR '000
Staff costs (Note 25)	-1,955	-2,082
Depreciation and amortisation (Note 26)	-600	-673
Consulting and advisory services	-216	-292
Information and communication services	-218	-271
Legal services	-421	-263
Transportation expenses	-179	-253
Business trips and costs of entertaining guests	-153	-132
Other general and administrative expenses [1]	-651	-694
Total general and administrative expenses	**-4,393**	**-4,660**

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

Note 25 Staff costs

	2012 EUR '000	2011 EUR '000
Wages and salaries	-8,879	-9,460
Social security tax and other labour taxes	-2,595	-2,795
Option programme expense	-21	-21
Total staff costs (Notes 22,23,24)	**-11,494**	**-12,277**
Number of employees at end of the period	718	695
Average number of employees during the year	747	822

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

	2012 EUR '000	2011 EUR '000
Depreciation (Note 13)	-2,625	-3,260
Amortisation (Note 14)	-595	-705
Total depreciation and amortisation (Notes 21,22,23,24)	**-3,220**	**-3,965**

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

	2012 EUR '000	2011 EUR '000
Gain/loss on disposal and write-off of non-current assets	44	-73
Income from government grants (Note 19)	226	396
Other income	208	331
Other expenses	-133	-169
Total other income/expenses	**345**	**485**

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Note 28 Finance income and costs

	2012 EUR '000	2011 EUR '000
Interest income	3	5
Other finance income	35	4
Foreign exchange gains / losses	82	-150
Interest expenses	-434	-563
Other finance costs	-211	-165
Total	**-525**	**-869**

In 2012, other finance costs include a loss on the revaluation of an interest rate swap as at the balance sheet date of 31.12.2012 in the amount of EUR 63 thousand.

Note 29 Income tax expenses

	2012 EUR '000	2011 EUR '000
Profit (loss) before tax (consolidated)	-461	-698
Income tax calculated at applicable tax rates	-290	-417
Impact to calculated income tax of:		
income tax expense on dividends	103	103
expenses not deductible from taxable income (+)	225	350
tax-free income and tax incentives	67	-3
tax losses used	-98	-107
tax losses carried forward (-/+)	108	226
Income tax expense /-income	116	152
Deferred income tax expense / -income (Note 10)	-650	-296
Effect on income statement	**534**	**144**

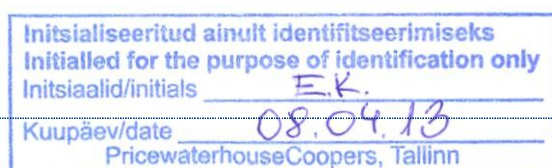
The negative income tax calculated results from the loss of the subsidiary in Russia and the income tax calculated from the re-evaluation of biological assets.

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.

	2012	2011
Average number of shares (in thousand)	38,674	38,664
Net profit attributable to equity holders of the company (EUR '000)	73	- 554
Earnings per share (EUR)	**0.00**	**- 0.01**

As the effect of potential ordinary shares is insignificant, the diluted earnings per share equal basic earnings per share.
As at 31 December 2012, the company had 38,682,860 shares (31.12.2011: 38,682,860) and 0 treasury shares (31.12.2011: 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 the financial year, group entities have performed purchase and sales transactions as follows:

EUR ‘000

Name of the party EUR '000	Type of transaction	2012 Purchases	2012 Sales	2011 Purchases	2011 Sales
Companies related to member of Supervisory and Management Boards	services	106	3	135	2
	non-current assets	2	15	2	3
	Total	**108**	**18**	**137**	**5**

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 31.12.2012 EUR '000	Receivable as at 31.12.2011 EUR '000
Companies related to members of the Management and Supervisory Boards	Other receivables	16	2
Total		**16**	**2**

Creditor	Payables and prepayments	Payables as at 31.12.2012 EUR '000	Payables as at 31.12.2011 EUR '000
Companies related to members of the Management and Supervisory Boards	Trade payables	12	9
	Other payables	0	1
Total		**12**	**10**

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

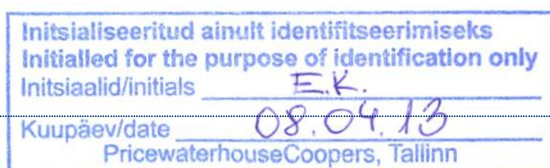
Remuneration of the members of the Management and Supervisory Boards of AS Premia Foods and its subsidiaries and other key managers:

	2012 EUR ‘000	**2011** EUR ‘000
Short-term benefits	894	961
Total	**894**	**961**

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 (2011: 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.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Note 32 Contingent liabilities and assets

Contingent liability related to income tax on dividends

As at 31 December 2012, the Group's retained earnings totalled EUR 553 thousand (31 December 2011: EUR 890 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 437 thousand as dividends to the owners out of retained earnings accumulated until the balance sheet date (31 December 2011: EUR 703 thousand) and the income tax on dividends would amount to EUR 116 thousand (31 December 2011: EUR 187 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 and on investments. As at the balance sheet dates of 31.12.2012 and 31.12.2011, 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. 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 77 thousand (2011: EUR 98 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 610 thousand (2011: EUR 585 thousand) for the benefit of the lessor of the premises at Betooni 4 to cover lease payments.

Contingent liabilities related to the Customs 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

Changing the base interest rate of the loans and hedging of interest rate risk

At 7 January 2013, the Company hedged the interest rate risk of a portion of the long-term investment loan assumed in December in the amount of EUR 3.9 million with the interest rate swap with amortisation transaction, fixing 3-month EURIBOR for the period of 17.07.13 to 17.07.17 at the level of 0.785%.

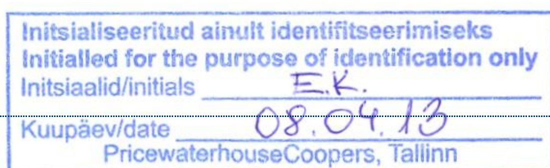
Planned changes in the Company's governing bodies

At 7 March 2013, the Supervisory Board of AS Premia Foods adopted a decision to recall the current Chairman of the Management Board Kuldar Leis and appoint its current member of the Management Board, Katre Kõvask as the new Chairman of the Management Board. The mandate of Kuldar Leis as a member of the Management Board will expire and the mandate of Katre Kõvask as a Chairman of the Management Board will start at 15.05.2013. The Company's Management Board will continue with three members: in addition to Katre Kõvask, the Management of Board of Premia comprises Sales Manager Silver Kaur and subject to the approval by the General Meeting of Shareholders, the Supervisory Board plans to appoint the current member of the Supervisory Board and *de facto* Finance Director Erik Haavamäe as a member of the Managment Board. The current Chairman of the Management Board of the Company Kuldar Leis will continue as a member of the Supervisory Board of Premia subject to the approval by the General Meeting of Shareholders to be held at the end of May.

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.



Statement of financial position

as at 31 December	31.12.2012 EUR '000	31.12.2011 EUR '000
Cash	0	10
Short-term financial investments	4,477	1,850
Receivables and prepayments	2,775	958
Total current assets	**7,252**	**2,818**
Investments in subsidiaries	33,239	33,239
Long-term financial investments	8,515	11,722
Property, plant and equipment	138	174
Intangible assets	889	935
Total non-current assets	**42,781**	**46,070**
Total assets	**50,033**	**48,888**
Loans	3,375	1,998
Payables and prepayments	3,807	1,649
Total current liabilities	**7,182**	**3,647**
Loans	8,534	6,547
Other long-term payables	0	51
Total non-current liabilities	**8,534**	**6,598**
Total liabilities	**15,716**	**10,245**
Share capital	19,342	23,210
Share premium	16,026	16,026
Treasury shares	0	-30
Other reserves	48	21
Retained losses	-1,099	-584
Total equity	**34,317**	**38,643**
Total liabilities and equity	**50,033**	**48,888**

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Statement of comprehensive income

For the year ended 31 December	2012 EUR '000	2011 EUR '000
Revenue	335	399
Cost of goods sold	-1	-1
Gross profit	**334**	**398**
Sales and marketing expenses	-4	-4
Administrative and general expenses	-854	-921
Other income/-expenses	0	3
Operating profit/ -loss	**-524**	**-524**
Finance income	985	1,231
Finance costs	-463	-474
Profit/ -loss before income tax	**-2**	**233**
Income tax	-103	-103
Net profit/ -loss for the period	**-105**	**130**
Total comprehensive income/-expense	**-105**	**130**

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Cash flow statement

	2012 EUR '000	2011 EUR '000
Cash flows from operating activities		
Net profit/ -loss	**-105**	**130**
Adjustments:		
Depreciation, amortisation and impairment	91	15
Proceeds from sale of non-current assets	-34	-3
Other non-monetary changes	-406	503
Changes in receivables and prepayments	263	-268
Changes in payables and prepayments	7	-906
Corporate income tax paid	-104	-103
Net cash used in operating activities	**-288**	**-632**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	0	13
Acquisition of property, plant and equipment	-9	-46
Paid for acquisition of associate	-1	0
Change in cash pool account	-1,060	903
Loans granted	-1,177	-2,352
Repayments of loans granted	869	1,580
Interest received	654	435
Net cash used in investing activities	**-724**	**533**
Cash flows from financing activities		
Change in overdraft facility	1,223	636
Change in cash pool account	2,081	1,328
Borrowings	10,145	1,361
Repayments of borrowings	-7 829	-2 539
Payments of finance lease principal	-23	-7
Transfer of own shares	13	0
Reduction of share capital	-3,868	0
Dividends paid	-387	-387
Interest paid	-348	-357
Net cash generated from financing activities	**1,007**	**35**
NET CASH FLOWS:	**-5**	**-64**
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of the year	**10**	**82**
Net change in cash and cash equivalents	-5	-64
Foreign exchange gains/losses	-5	-8
Cash and cash equivalents at end of the year	**0**	**10**

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Statement of changes in equity

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

EUR '000	Share capital	Share premium	Treasury shares	Statutory reserve capital	Other reserves	Retained earnings	**Total equity**
Balance at 31 December 2010	**24,723**	**14,513**	**-30**	**0**	**0**	**-168**	**39,038**
Fair value cost of option programme	0	0	0	0	21	0	**21**
Reduction of nominal value of share	-1,513	1,513	0	0	0	0	**0**
Loss due to merger of Premia Foods AS and OÜ TCS Invest	0	0	0	0	0	-159	**-159**
Dividends	0	0	0	0	0	-387	**-387**
Comprehensive income for reporting period	0	0	0	0	0	130	**130**
Total change	**-1,513**	**1,513**	**0**	**0**	**21**	**-416**	**-395**
Balance at 31 December 2011	**23,210**	**16,026**	**-30**	**0**	**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**
Fair value cost of option programme	0	0	0	0	21	0	**21**
Increase of statutory reserve capital	0	0	0	6	0	-6	**0**
Transfer of own shares	0	0	30	0	0	-17	**13**
Reduction of the nominal value of shares	-3,868	0	0	0	0	0	**-3,868**
Dividends	0	0	0	0	0	-387	**-387**
Comprehensive income for reporting period	0	0	0	0	0	-105	**-105**
Total change	**-3,868**	**0**	**30**	**6**	**21**	**-515**	**-4,326**
Balance at 31 December 2012	**19,342**	**16,026**	**0**	**6**	**42**	**-584**	**34,317**
Carrying amount of interests under control and significant influence							-33,239
Value of interests under control and significant influence under the equity method							35,375
Adjusted unconsolidated equity at 31 December 2012							**36,453**

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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 2012.

Chairman of the Management Board	Kuldar Leis	....	April 8, 2013
Member of the Management Board	Silver Kaur	....	April 8, 2013
Member of the Management Board	Katre Kõvask	....	April 8, 2013

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 , 2013
Vice-Chairman of the Supervisory Board	Lauri Kustaa Äimä	....	April , 2013
Member of the Supervisory Board	Harvey Sawikin	....	April , 2013
Member of the Supervisory Board	Aavo Kokk	....	April , 2013
Member of the Supervisory Board	Jaakko Karo	....	April , 2013
Member of the Supervisory Board	Arko Kadajane	....	April , 2013
Member of the Supervisory Board	Erik Haavamäe	....	April 8, 2013

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 2012 and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes comprising 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 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 fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AS Premia Foods and its subsidiaries as of 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

Ago Vilu
Auditor's Certificate No.325

Lauri Past
Auditor's Certificate No.567

8 April 2013

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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 31.12.2012, the retained earnings of AS Premia Foods Group total EUR 553 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 2012 in the amount of EUR 387 thousand, i.e. EUR 0.01 per share.

Chairman of the Management Board Kuldar Leis .... April 8, 2013

Member of the Management Board Silver Kaur .... April 8, 2013

Member of the Management Board Katre Kõvask .... April 8, 2013