

# Premia Foods

Equity Research – 15 June 2010

## Consumer Discretionary/ Packaged Foods

Country: Estonia

Date for prices: 14 June 2010  
Date for input-data: 15 June 2010

### Recommendation: Buy

Target Price: €1.04

Risk Rating: Medium risk

### Share Price: €0.85

Reuters Ticker: PRF1T.TL

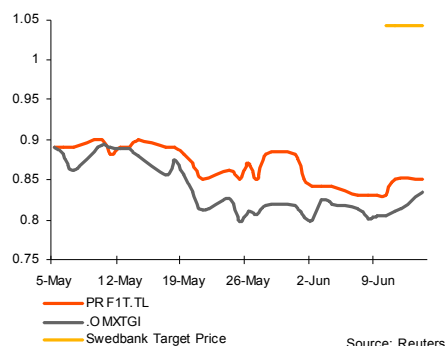
Bloomberg Ticker: PRF1T ET

Previous report: -

Previous Recommendation: -

Previous Target Price: -

## Performance



	€	EEK
52w high	0.9	14.1
52w low	0.8	13.0
Market Cap (m)	33	514
Free Float		34%
Mkt. Cap of Free Float (m)	11	174
Shares Out. (m)		38.7

	1M	6M	12M	YTD
Yield (%)	-6	-4	-4	-4
Avg. Daily Volume, th	15	29	29	29
Avg. Daily Turnover, €th	13	26	26	26

## Key Ratios

	2009	2010F	2011F	2012F
P/E	29.8	17.4	12.7	7.8
P/BV	0.7	0.8	0.7	0.7
EV/EBITDA	6.6	6.0	5.9	5.0
Dividend Yield (%)	0.0	0.0	3.1	5.1

## Research

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## Wealthy Player in the Market

- AS Premia Foods (Premia, the Company) is a Nordic company focusing on production, distribution and selling of food products. The company specializes in 3 food segment niches: production and selling of ice cream (~33% of sales after Russian acquisition), distribution of frozen foods (~33%) and the production, farming and selling of fish products (~33%)
- Key markets are Estonia, Latvia, Lithuania and Finland, while company also exports its products to Sweden and Russia. In the ice-cream segment the company is the market leader in the Baltic States and has a strong second place in the chilled packed fish market in Finland. With a diverse product portfolio the company is able to better spread the risks between various segments in which it operates.
- In 2009 the sales totalled approximately €69m, of which around 1/3 came from Estonia, 1/3 from Finland and the rest from other countries, mainly Latvia and Lithuania.
- During the last few years the company has used successful brand building mixed with targeted acquisitions in order to gain market share and recognition for its products. The CAPEX-intensive phase has passed and the company is now focusing on expansion into new markets using the experience it has gained during the last years when it was growing locally.
- After raising capital, the company acquired a Russian ice-cream producer and seller in May 2010.
- Based on our DCF model we find the fair value of the company at €40.4m, or €1.0 per share. Due to ~23% potential upside from the current market price, our recommendation is "Buy."

## Last Quarter, € thousand

	1Q10	1Q09	Change	3M10	3M09	Change
Sales	14,978	14,260	↗ 5.0%	14,978	14,260	↗ 5.0%
EBITDA	-4	-1,206	↗ 99.7%	-4	-1,206	↗ 99.7%
Margin	0.0%	-8.5%		0.0%	-8.5%	
Op. Profit	-916	-1,206	↗ 24.1%	-916	-1,206	↗ 24.1%
Margin	-6.1%	-8.5%		-6.1%	-8.5%	
Net Profit	-1,016	-1,672	↗ 39.3%	-1,016	-1,672	↗ 39.3%
Margin	-6.8%	-11.7%		-6.8%	-11.7%	

Source: Premia Foods AS

## Financial Summary, € thousand

	2009	2010F	2011F	2012F
Sales	68,703	82,122	91,958	98,050
Growth		-11.2%	19.5%	12.0%
EBITDA	6,202	6,809	6,865	8,170
Growth		29%	10%	1%
Margin		9%	8%	7%
Net Profit	691	1,893	2,580	4,209
Growth		-143%	174%	36%
Margin		1%	2%	3%
Assets	62,828	73,334	78,361	83,096
Equity	27,501	42,368	44,948	48,125

Attention: Please note important background and customer information at the end of this report

## AS Premia Foods – Overview

AS Premia Foods in its current form was established in December 2008 as a holding company dealing with selling of ice-cream, fish and frozen food products. During the last few years the company has gone through a phase of acquisitions, consolidating its position in fish and frozen foods segments.

The current majority shareholder of Premia Foods, Amber Trust private equity fund, acquired the fish farming business in 2003 by acquiring a modern fish processing unit Vettel. In 2005, Vettel purchased Finnish fish processor and wholesaler Heimon Kala Oy, followed one year later by the acquisition of Saaristomeren Kala Oy (SMK) –fish farming and processing unit. At the end of 2006 Saaremere Kala AS, a holding company that manages vertically integrated fish businesses was established. Also in 2005, Amber Trust II acquired its stake in Kauno Pienas Centras (KPC), a Lithuanian company engaged in the production and distribution of ice-cream and frozen food products in the Baltic States and which history dates back to 1937. Amber Trust brought in the new management with industry experience who managed to turn the loss making unit profitable within their first year. In October 2007, Latvian leading frozen foods distributor, FFL, was acquired and was soon renamed Premia FFL. This way the company enabled full pan Baltic distribution and sales network of its own. At the end of 2008 most of the brands managed by KPC and Saaremere Kala were united under the AS Premia Foods company, which is headquartered in Estonia and employs a total of 581 employees. At the end of 2009, total sales for the group amounted to €68.7m.

On the holding level the group is split by two main activities – Frozen Foods /Ice-cream and Fish. As of the end of 2009, sales from Fish business represent around 44% of total sales while the Frozen Foods segment delivers 56%. From this 56%, 23% comes from sales of ice-cream products and 33% from sales of frozen food. After the acquisition of Russian ice-cream producer plant in May 2010, it is expected that each segment forms 1/3 of Premia's total sales.

The company's goal is stated as becoming a leading company in deep frozen and chilled food processing and sales in Baltic, Scandinavian and North-West Russian area in the next 5 years. So far the company has tried achieve this through acquisition based growth. As a result of past activities Premia holds a number of well known trademarks and enjoys a strong market position in Fish sales in Finland, while the frozen foods and ice-cream segment has a similar stronghold in the Baltic countries.

Over the last few years the company has invested heavily into production, ending up with modern and up to date equipment and limiting the further need for investments into current operations. Since 2007 the company has invested more than €6m into its frozen foods business, mainly into fixed assets (equipment and logistics centre), with an additional €1.7m invested into trademarks of Khladokombinat No 1, which enabled the company to get a foot in the door in St Petersburg, and Russias ice-cream market. Approximately €1.5m was invested into the Fish production business in 2008. At this point, we believe that the company enjoys the benefit of having up to date equipment that allows for a much more efficient production and management. Premia has also been investing and continues to invest into quality IT systems which help manage the production process more efficiently.

Owing to the fact that all businesses are vertically integrated the company is able to control availability and quality of inputs while remaining flexible when it comes to production and distribution of its products. Given the variety of products and geographical sales mix, the company is also able to reduce volatility in sales and thus reduce risks for the group overall. The management also has a reputation for high transparency and professionalism.

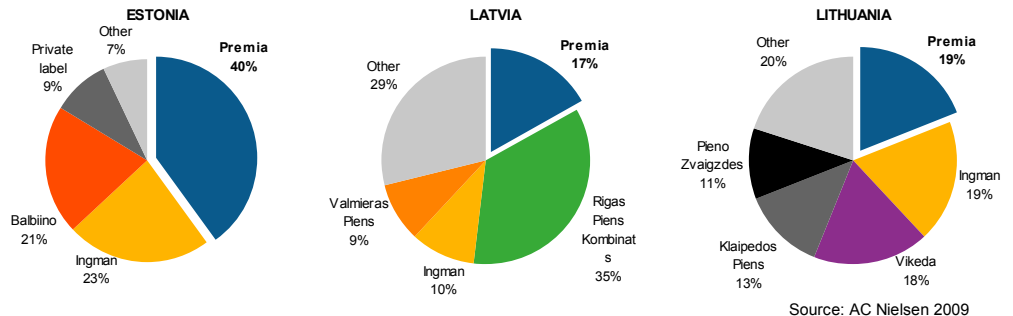
## Market

Premia is engaged in selling various food products, thus the demand for its goods is, in general, less affected by economic cycles. The company is a leading player in all of its business segments as well as in its geographic regions. The company's markets have high entry barriers due to sunk costs related to the necessary infrastructure (production facilities, unique frozen food storage and logistics equipment).

### Ice Cream

Premia enjoys a leading position in the Baltic ice cream market, being the top player in Estonia and Lithuania, and second in Latvia.

Attention: Please note important background and customer information at the end of this report



Source: AC Nielsen 2009

Per capita ice cream consumption in Baltic countries is two to three times lower on average compared to Finland. Per capita Finns currently consume approximately 13 litres of ice cream per annum, while Estonians consume 8 litres, Latvians 6 litres and Lithuanians only 5 litres.

### Frozen Food

The main market for Premia frozen foods is the Baltic States. This segment is highly segmented and so it is difficult to give an overall indication of the market share. Management estimates its market share among frozen vegetables and French fries to be slightly below 40%; dumplings and meat approximately 30%; fish and semi-ready fish products approximately 30% in Estonia. In Latvia the respective market shares are 50%, 30%, 30%, and in Lithuania 25%, 20% and 15%.

### Fish and Fish Products

Sales in this segment take place in Finland and to a lesser extent, in Sweden. The company estimates its market share in Finnish chilled fish retail market to be 25%. The Group's Finnish trademarks include Heimon Kala Oy and Saaristomeren Kala. These are well-known and respected fish brands, whose products have been parts of everyday and festive dishes on Finnish dining tables for more than thirty years. The Group's other trademarks include Gurmé, Viking and Polar Fish, which are sold in the Baltic markets.

## Capital raised

Premia Foods began trading on the Tallinn Stock Exchange on May 5, 2010. The company issued 14.5m new shares at EEK 14 / €0.89. In total, approx €13m was raised. After being listed in OMXT, the company acquired St Petersburg based ice cream manufacturer OOO Hladokombinat No 1 (HK1) and OOO Hladomagija (this is without a separate production and sales activity but which is in the possession of specific intellectual property rights that support the production and distribution activities of HK1) for €1.6m in May 2010. In addition to this acquisition, the company also used the IPO proceeds to repay some loans (approx. €3.3m) which had high interest rates.

## A window to St. Petersburg food retail market

Khladokombinat No 1 operates in the north-western region of Russia, specifically in the St Petersburg and Leningrad region since 1913. The main business areas are frozen foods and ice cream, and as an ice cream producer the company has a strong image and is known for its high quality. In 2009, the turnover for Khladokombinat reached €11.7m (€0.5m from frozen foods).

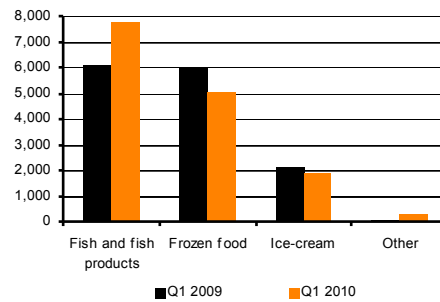
In St. Petersburg the company's market share was around 20% in 2009 and management estimates a market share in Russia in ice cream of around 1.9%. Not long ago, the company was 4th in the core market in St Petersburg while current estimates indicate it is already 2nd. St Petersburg has a population of around 6m – this is more than Baltic countries combined together.

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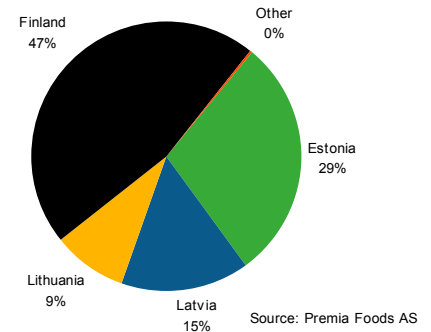
## Flashback to Q1 2010 results

Despite the adverse economic backdrop, Premia Foods' sale figures increased 5% yoy and totaled €15m in 3M 2010.

Q1 revenues by segments



Q1 2010 revenues by markets



However, the pressure on margins was recognised with gross margins falling 2% to 20%. The cost cutting methods were implemented successfully, as a result of which the operating margin improved but remained negative at -6.1%. The operating loss was €916 thousand and the quarterly net loss was €1m.

## 2010 expectations and valuation

After the balance sheet date, the company acquired Russian ice-cream manufacturer Hladokombinat No 1. We expect the revenues of PRF to increase in 2010 thanks solely to this acquisition. We estimate sales to increase almost 19.5% yoy this year. As we expect the economies of PRF's main markets to start recovering this or next year, we should see a growth in revenues around 12% yoy and improvements in profitability in 2011.

We expect the profitability to increase this year thanks to Russian acquisition. Although we assume the gross margin to decline from 25.9% in 2009 to 24.8% in 2010, the EBITDA is expected to total €6.8m with 8.3% margin in 2010. The operating result should reach €3.1m. In terms of bottom line, a profit of €1.9m is expected.

In terms of valuation, we used a DCF model with a discount rate of 11.8% to determine the fair value of AS Premia Foods. Based on that, we value the company at €40.4m or **€1.04** per share. Due to significant potential upside of nearly 23% from the current market price, our recommendation for the shares is **“Buy.”**

## Company Info

### Σ Investment Summary

Although the sales increased by 5% in Q1 2010, the quarter ended in loss at €1m. Our assumptions for the full year 2010 sale figures is a growth of 19.5% yoy, thanks to the acquisition of Russian ice-cream manufacturer. Also a slight increase in profitability should be seen, compared to 2009. We expect to see operating profit of €3.1m but due to financial expenses, the net profit should reach €1.9m this year.

According to our DCF model we value the company at €40.4m, or €1 per share. Due to significant potential upside from the current market price, our recommendation for the shares is "Buy."

### + Positives

- Market leading position in Baltics in ice-cream segment;
- Strong 2nd place market position in Finland in packed chilled fish products
- 2nd place market position in St. Petersburg ice-cream market (with Hladokombinat No 1);
- Average consumption of ice cream and frozen foods in Baltics ranks much lower than Finland, leaving room for improvement in the mid to long term;
- Large selection of well-known and trusted brands;
- Professional and experienced management team;
- Diversified product portfolio that smoothes out seasonality effects;
- Vertical integration allows flexibility of inputs and in distribution;
- Most investments into equipment and IT have already been made.

### - Negatives

- Food retail market is highly competitive – the group has to compete against regional as well as global brands in ice cream and fish segments;
- The company is exposed to changes in raw materials pricing (i.e. biomass, sugar, vegetable oils, etc);
- Lack of long term contracts for distribution of frozen food brands means that suppliers could theoretically stop selling their products through Premia without much warning. However the risks are similar for Premia's competition as well;
- A significant portion of sales for the company come from a limited number of retail chains. The company's dependence on few major retailers limits its bargaining ability when it comes to pricing and other contractual terms. This is common for most players in the market.

### ! Investment Risks

Company is small in size and its equity value would fall under the small caps in the region, thus potential liquidity issues are worth considering.

### ? Profile

AS Premia Foods is a frozen food / fish producer and distributor operating in Baltic states, Finland and Sweden. The company deals with deep frozen goods, including sales and production of ice cream, and sales and production and also farming of fish (salmon, trout). Premia is the market leader in the Baltic states in ice-cream sales, and it is a strong second in fish products in Finland. The group also provides private label services to retail chains in Baltics and Finland. In 2009 group's total sales reached €68m. As of March 31, 2010 total number of employees reached 641.

### ☰ Company Structure

**AS PREMIA FOODS** (Premia, the Company) – Parent company  
**AB Premia KPC** (KPC) – 100%, Lithuania; *Ice-cream distribution*  
**AS Premia Tallinna Külmoone** (PTKH) – 100%, Estonia; *Ice-cream manufacturing*  
**SIA F.F.L.S.** (FFLS) – 100%, Latvia; *Holding company*  
**AS Premia FFL** (FFL) – 100%, Latvia; *Frozen foods*  
**OÜ TCS Invest** (TCS) – 100%, Estonia; *Holding company*  
**OOO Hladokombinat No 1** – 100%, Russia, *Ice-cream manuf.*  
**OOO Hladomagija** – 100%, Russia  
**Saaremere Kala AS** (SMK) – 100%, Estonia; *Holding company / fish segment*  
**Heimon Kala** (HK) – 100%, Finland; *Fish distribution*  
**Vettel OÜ** (Vettel) – 100%, Estonia; *Fish processing*  
**Gourmethouse OÜ** (GH) – 75.7%, Estonia; *fish wholesaler*  
**Överumans Fisk AB** (ÖF) – 100%, Sweden; *Fishing farm*  
**Skärgårdshavets Fisk AB** (SF) – 100%, Sweden; *Fishing farm*

### ○ Management

#### Management Board:

Kuldar Leis (CEO), Katre Kõvask (Marketing), Andri Avila (CFO) and Silver Kaur (Sales).

#### Supervisory Board:

Indrek Kasela (Chairman) – *Amber Trust*, Lauri Kustaa Äimä – *Kaima Capital*, Erik Haavamäe (Amber Trust), Aavo Kokk (Catella Corporate Finance), Harvey Sawikin - *Firebird*, Vesa Jaakko Karo – *Cumulant Capital*.

### % Key Shareholders

As of June 11, 2010

Shareholder	Holding
ING Luxembourg S.A	60.2%
OÜ Rododendron (Kuldar Leis)	3.4%
OÜ Footsteps Management (Katre Kõvask)	1.2%
OÜ Freespirit (Silver Kaur)	1.0%
KAMAKAMAKA OÜ (Erik Haavamäe)	0.5%
Others	33.9%

Source: Nasdaq OMX

### ~ History

In its current shape the company was registered in December 2008. Under present owners the group expanded into Fish Processing in 2003 and into frozen foods and ice creaming in 2005 by acquiring long established names in the Baltic States and Finland engaged in ice-cream and fish production respectively. In February of 2008 the company has added to its list of Nordic brands the Russia's Khladokombinat No 1 trademarks. Khladokombinat No 1 was acquired in May 2010. Some of group's Baltic subsidiaries in frozen foods/ ice-cream segment date back to early Soviet Union days and have amassed a large experience and production knowhow, while the younger Finnish chilled packed fish brands were established during the 1980s.

Attention: Please note important background and customer information at the end of this report

## Income Statement &amp; Balance Sheet

<b>INCOME STATEMENT, € thousand</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010F</b>	<b>2011F</b>	<b>2012F</b>	<b>2013F</b>	<b>2014F</b>	<b>CAGR 09-14F</b>
<b>Net Sales</b>	<b>63,618</b>	<b>77,346</b>	<b>68,703</b>	<b>82,122</b>	<b>91,958</b>	<b>98,050</b>	<b>103,222</b>	<b>108,488</b>	<b>9.6%</b>
<i>Sales Growth</i>		21.6%	-11.2%	19.5%	12.0%	6.6%	5.3%	5.1%	
Cost of Goods Sold	47,243	58,556	50,921	61,756	68,509	72,067	75,352	78,111	
<b>Gross Profit</b>	<b>16,374</b>	<b>18,790</b>	<b>17,782</b>	<b>20,366</b>	<b>23,449</b>	<b>25,983</b>	<b>27,870</b>	<b>30,377</b>	<b>11.3%</b>
<i>Gross Margin</i>	25.7%	24.3%	25.9%	24.8%	25.5%	26.5%	27.0%	28.0%	
Net Operating Expenses	11,728	18,138	15,266	17,246	19,863	20,395	21,160	22,023	
<b>EBITDA</b>	<b>7,514</b>	<b>4,805</b>	<b>6,202</b>	<b>6,809</b>	<b>6,865</b>	<b>8,170</b>	<b>9,124</b>	<b>10,428</b>	<b>10.9%</b>
<i>EBITDA Margin</i>	11.8%	6.2%	9.0%	8.3%	7.5%	8.3%	8.8%	9.6%	
Depreciation & Amortization	2,868	4,153	3,686	3,688	3,279	2,581	2,415	2,074	
<b>Operating Profit</b>	<b>4,646</b>	<b>652</b>	<b>2,516</b>	<b>3,121</b>	<b>3,586</b>	<b>5,589</b>	<b>6,709</b>	<b>8,354</b>	<b>27.1%</b>
<i>Operating Margin</i>	7.3%	0.8%	3.7%	3.8%	3.9%	5.7%	6.5%	7.7%	
Net Financial Items	-1,476	-2,620	-1,866	-1,128	-871	-869	-844	-749	
Taxes	-364	428	41	-100	-136	-510	-741	-993	
Minority Interest	-51	-77	0	0	0	0	0	0	
<b>Net Profit</b>	<b>2,755</b>	<b>-1,617</b>	<b>691</b>	<b>1,893</b>	<b>2,580</b>	<b>4,209</b>	<b>5,125</b>	<b>6,612</b>	<b>57.1%</b>
<i>Net Margin</i>	4.3%	-2.1%	1.0%	2.3%	2.8%	4.3%	5.0%	6.1%	
<i>EPS, €</i>	0.10	-0.67	0.29	0.05	0.07	0.11	0.13	0.17	
<i>EPS growth</i>		-774.6%	-142.7%	-82.9%	36.3%	63.2%	21.8%	29.0%	
<i>Fully Diluted EPS, €</i>	0.10	-0.67	0.29	0.05	0.07	0.11	0.13	0.17	
<i>Dividends per Share, €</i>	0.00	0.00	0.00	0.00	0.03	0.04	0.06	0.09	
<i>Dividend Payout</i>	0%	0%	0%	0%	40%	40%	45%	50%	
<b>BALANCE SHEET, € thousand</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010F</b>	<b>2011F</b>	<b>2012F</b>	<b>2013F</b>	<b>2014F</b>	<b>CAGR 09-14F</b>
Cash & Equivalents	1,393	1,259	1,254	5,119	10,121	15,437	20,284	24,527	
Accounts Receivable	8,634	10,195	8,569	10,800	11,750	12,529	12,903	13,561	
Inventories	13,977	13,313	13,112	16,073	17,831	18,757	19,612	20,330	
Other Current Assets	575	1,647	1,708	1,971	2,115	2,059	2,168	2,170	
<b>Current Assets</b>	<b>24,580</b>	<b>26,414</b>	<b>24,643</b>	<b>33,964</b>	<b>41,817</b>	<b>48,782</b>	<b>54,966</b>	<b>60,588</b>	<b>19.7%</b>
Tangible Assets	24,382	18,269	17,549	16,261	13,882	12,201	10,686	9,512	
Long-Term Financial Assets	582	444	450	495	500	505	511	516	
Intangible Assets	10,942	20,595	20,186	22,614	22,162	21,608	21,067	20,478	
<b>Long Term Assets</b>	<b>35,906</b>	<b>39,309</b>	<b>38,186</b>	<b>39,370</b>	<b>36,544</b>	<b>34,314</b>	<b>32,264</b>	<b>30,505</b>	<b>-4.4%</b>
<b>Total Assets</b>	<b>60,486</b>	<b>65,722</b>	<b>62,828</b>	<b>73,334</b>	<b>78,361</b>	<b>83,096</b>	<b>87,230</b>	<b>91,093</b>	<b>7.7%</b>
S-T Debt	7,241	11,777	10,197	4,352	4,598	4,804	4,851	4,990	
Supplier Payables	6,551	7,252	4,920	5,583	6,757	7,898	8,671	8,988	
Other S-T liabilities	1,809	5,966	6,228	7,105	7,757	8,132	8,427	8,575	
<b>Current Liabilities</b>	<b>15,601</b>	<b>24,995</b>	<b>21,346</b>	<b>17,041</b>	<b>19,112</b>	<b>20,834</b>	<b>21,949</b>	<b>22,553</b>	<b>1.1%</b>
L-T Debt	19,940	9,197	9,570	9,000	9,000	8,500	8,000	7,000	
Other L-T liabilities	1,425	4,502	4,411	4,924	5,301	5,636	5,714	5,668	
<b>Non-current Liabilities</b>	<b>21,366</b>	<b>13,699</b>	<b>13,981</b>	<b>13,924</b>	<b>14,301</b>	<b>14,136</b>	<b>13,714</b>	<b>12,668</b>	<b>-2.0%</b>
<b>Shareholders' Equity</b>	<b>17,761</b>	<b>27,029</b>	<b>27,501</b>	<b>42,368</b>	<b>44,948</b>	<b>48,125</b>	<b>51,567</b>	<b>55,872</b>	<b>15.2%</b>
<b>Total Liabilities and Equity</b>	<b>54,728</b>	<b>65,722</b>	<b>62,828</b>	<b>73,334</b>	<b>78,361</b>	<b>83,096</b>	<b>87,230</b>	<b>91,093</b>	<b>7.7%</b>
<i>BVPS, €</i>	0.73	1.12	1.14	1.10	1.16	1.24	1.33	1.44	
<i>Net Working Capital</i>	8,980	1,419	3,296	13,445	14,424	14,472	15,314	16,220	

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## Valuation & Sensitivity

FCFF, € thousand	2010	2011	2012	2013	2014	2015-19	2020+
EBIT	3,121	3,586	5,589	6,709	8,354		
Depreciation	3,688	3,279	2,581	2,415	2,074		
Working Capital Investments	-3,915	-1,027	-133	-269	-914		
Fixed Capital Investments	-2,400	-900	-900	-900	-900		
Taxes on EBIT	-156	-179	-554	-783	-1,031		
<b>Free Cash Flow to Firm</b>	<b>337</b>	<b>4,759</b>	<b>6,583</b>	<b>7,172</b>	<b>7,583</b>	<b>25,409</b>	<b>50,202</b>
PV of Free Cash Flow	302	3,809	4,713	4,594	4,345	10,784	16,483
<b>Cumulative PV of FCFF</b>	<b>302</b>	<b>4,110</b>	<b>8,824</b>	<b>13,418</b>	<b>17,763</b>	<b>28,547</b>	<b>45,030</b>
<b>Enterprise Value</b>							<b>48,122</b>
Less: Net Debt							7,764
<b>Shareholders' Value</b>							<b>40,358</b>
<b>Equity Value Per Share, €</b>							<b>1.04</b>
Current Market Price							0.85
Premium/(Discount) to market							22.7%
<b>Cost of Capital Calculation</b>							
Risk Free Rate	4.5%		Debt/Total Capitalisation			18.8%	
Equity Risk Premium	8.5%		Effective Tax Rate			0.0%	
Fundamental Beta	1.00		After-Tax Cost of Debt			6.5%	
Cost of Equity	13.0%		WACC			11.8%	
Cost of Debt	6.5%		Terminal Growth			3.0%	

### COST of EQUITY CALCULATION

### Comment

<b>Cost of Equity</b>	<b>13.00%</b>	Risk Free Rate + Equity Risk Premium
<b>Risk Free Rate</b>	<b>4.50%</b>	
<b>Equity Risk Premium</b>	<b>8.50%</b>	Fundamental Beta * (Market Risk Premium+Company Specific Risks+Financial Risk+Company Specific Liquidity Risk)
Market Risk Premium	5.00%	Universal Liquidity and Risk Premium assigned for Baltic countries by Swedbank
<b>Industry Risk</b>		
Fundamental Beta	1.00	n/a
<b>Company Specific Risks</b>	<b>2.00%</b>	
Management	0.00%	n/a
Corporate Governance/shareholders	0.00%	n/a
Markets/Business	2.00%	Business in Russia poses political and economical risks
<b>Financial Risk</b>	<b>0.00%</b>	
Short-Term Debt	0.00%	n/a
Long-Term Debt	0.00%	n/a
<b>Company Specific Liquidity Risk</b>	<b>1.50%</b>	Free float of shares 33.9% or €11.1m

### SENSITIVITY ANALYSIS, €

Sales Growth		-5%	-3%	0%	3%	5%
Target price		0.90	0.96	1.04	1.14	1.21
Operating Margin		-3%	-1%	0%	1%	3%
Target price		0.82	0.97	1.04	1.12	1.26
Cost of Equity		-2%	-1%	0%	1%	2%
Target price		1.28	1.15	1.04	0.95	0.88
Terminal Growth		-2%	-1%	0%	1%	2%
Target price		0.96	1.00	1.04	1.10	1.18
CAPEX		-10%	-5%	0%	5%	10%
Target price		1.05	1.05	1.04	1.04	1.04

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## Key Ratios

<b>RATIOS</b>	<b>2008</b>	<b>2009</b>	<b>2010F</b>	<b>2011F</b>	<b>2012F</b>	<b>2013F</b>	<b>2014F</b>
<b>Market Ratios</b>							
P/E	-12.7	29.8	17.4	12.7	7.8	6.4	5.0
P/CEPS	0.8	0.5	5.9	5.6	4.8	4.4	3.8
P/BV	0.8	0.7	0.8	0.7	0.7	0.6	0.6
Dividend Yield	0.0%	0.0%	0.0%	3.1%	5.1%	7.0%	10.1%
EV/EBITDA	8.5	6.6	6.0	5.9	5.0	4.5	3.9
<b>Liquidity Ratios</b>							
Current Ratio	1.06	1.15	1.99	2.19	2.34	2.50	2.69
Quick Ratio	0.52	0.54	1.05	1.26	1.44	1.61	1.79
<b>Activity Ratios</b>							
Sales Growth Rate	21.6%	-11.2%	19.5%	12.0%	6.6%	5.3%	5.1%
Days in Receivables	48.1	45.5	48.0	46.0	46.0	45.0	45.0
Days in Payables	45.2	35.3	33.0	36.0	40.0	42.0	42.0
Days Inventory Held	83.0	94.0	95.0	95.0	95.0	95.0	95.0
Required Financing Period	85.9	104.2	110.0	105.0	101.0	98.0	98.0
Fixed Asset Turnover	2.1	1.8	2.1	2.4	2.8	3.1	3.5
Total Asset Turnover	1.3	1.1	1.2	1.2	1.2	1.2	1.2
<b>Profitability Ratios</b>							
Gross Profit margin	24.3%	25.9%	24.8%	25.5%	26.5%	27.0%	28.0%
EBITDA margin	6.2%	9.0%	8.3%	7.5%	8.3%	8.8%	9.6%
Operating Profit margin	0.8%	3.7%	3.8%	3.9%	5.7%	6.5%	7.7%
EBT margin	-2.5%	0.9%	2.4%	3.0%	4.8%	5.7%	7.0%
Net Profit margin	-2.1%	1.0%	2.3%	2.8%	4.3%	5.0%	6.1%
ROA	-2.6%	1.1%	2.8%	3.4%	5.2%	6.0%	7.4%
ROE	-7.2%	2.5%	5.4%	5.9%	9.0%	10.3%	12.3%
<b>Leverage Ratios</b>							
Debt/Equity	77.1%	71.2%	31.3%	30.1%	27.5%	24.8%	21.4%
Debt/Capital Ratio	43.5%	41.6%	23.9%	23.1%	21.6%	19.9%	17.6%
Equity Ratio	41.4%	44.2%	58.1%	57.7%	58.2%	59.4%	61.6%
Times Interest Earned	0.2	1.3	2.6	3.9	6.1	7.5	10.4
<b>Investment Input Ratios</b>							
CAPEX/Sales	-5.5%	0.9%	2.9%	1.0%	0.9%	0.9%	0.8%
CAPEX/EBITDA	-89.3%	10.0%	35.2%	13.1%	11.0%	9.9%	8.6%
CAPEX/Depreciation	-103.3%	16.8%	65.1%	27.4%	34.9%	37.3%	43.4%

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## Relative Valuation

PEER GROUP	Country	Market Cap (€m)	TTM EV/EBITDA	2010 EV/EBITDA	2011 EV/EBITDA	TTM P/E	2010 P/E	2011 P/E	LFI P/B	ROE TTM	TTM Net Debt/EBIT DA
Olvi Oyj	Finland	273	7.4	8.0	7.2	12.5	14.6	13.2	2.5	9%	1.25
Marine Harvest ASA	Norway	2,352	9.5	6.2	6.5	11.1	8.9	8.5	1.5	8%	1.69
Leroy Seafood Group ASA	Norway	966	5.5	5.4	6.1	7.3	7.5	8.4	1.7	13%	0.70
Aker Seafoods ASA	Norway	80	9.6	6.8	6.7	4.5	11.5	8.4	0.6	3%	5.88
Grieg Seafood ASA	Norway	249	5.4	5.3	5.7	5.8	6.1	6.5	1.2	10%	2.07
Lannen Tehtaat Oyj	Finland	104	8.3	7.5	7.0	15.3	17.9	16.5	0.8	4%	-
Unilever PLC	United Kingdom	66,267	11.9	9.4	8.8	18.6	14.8	13.4	5.2	10%	1.23
J&J Snack Foods Corp	United States	661	7.7	6.8	6.5	19.6	16.9	15.8	2.5	11%	-
Associated British Foods PLC	United Kingdom	9,578	-	7.9	7.3	18.2	14.7	13.4	-	5%	-
Orkla ASA	Norway	6,157	7.2	8.4	6.8	28.5	72.2	8.8	1.1	-2%	1.21
Rieber & Son ASA	Norway	390	6.3	5.9	5.6	11.9	10.9	10.0	1.6	7%	1.38
Atria Oyj	Finland	316	-	8.0	6.5	34.6	17.7	10.2	0.7	1%	-
HKScan Oyj	Finland	449	7.7	7.2	6.0	11.5	12.0	8.7	1.1	3%	3.51
PinguinLutosa NV	Belgium	110	-	5.8	5.4	-	22.9	14.7	0.9	-	-
Albalact SA	Romania	37	-	6.8	5.6	-	25.3	9.6	1.7	-	-
Graal S.A.	Poland	31	7.6	7.8	7.5	-	13.0	11.6	0.6	2%	4.19
Imlek ad Beograd	Serbia	101	-	-	-	19.5	-	12.9	-	-	-
Ledo d.d.	Croatia	183	4.6	-	-	12.6	-	-	2.1	8%	-
Aryzia AG	Switzerland	2,444	15.7	9.3	6.9	32.5	13.0	11.7	1.8	2%	3.43
<b>Premia Foods</b>	<b>Estonia</b>	<b>32.9</b>	<b>5.5</b>	<b>6.0</b>	<b>5.9</b>	<b>24.4</b>	<b>17.4</b>	<b>12.7</b>	<b>0.8</b>	<b>5%</b>	<b>1.0</b>
MEDIAN GLOBAL			7.6	7.2	6.5	12.6	13.0	10.9	1.5	6%	1.7
MEDIAN FISHERIES			7.5	5.8	6.3	6.6	8.2	8.4	1.4	9%	1.5
MEDIAN SMALL CAPS (>€200m)			7.7	7.6	6.7	18.2	14.7	11.7	1.4	4%	2.4
MEDIAN FINNISH			7.7	7.8	6.7	13.9	16.2	11.7	1.0	4%	2.1
<b>BLENDED MEDIAN</b>			<b>7.7</b>	<b>7.4</b>	<b>6.6</b>	<b>13.2</b>	<b>13.9</b>	<b>11.3</b>	<b>1.4</b>	<b>5%</b>	<b>1.9</b>

Source: Reuters, Company Reports, SWB

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### Recommendation structure

Buy	> +20% to target price
Accumulate	+10% < target price < +20%
Hold	0% < target price < +10%
Reduce	-10% < target price < 0%
Sell	< -10% to target price
Avoid	used when security does not match the standards presented in Swedbank's investment guidelines

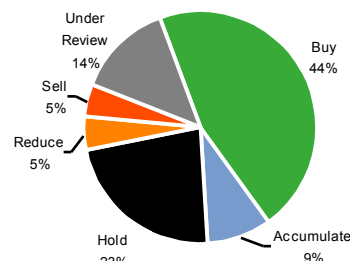
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The target price (previous fair value) takes into account the DCF value, the relative valuation of the share versus others peers (national or international) and news that can have a positive or negative effect on the share price. Relative and absolute multiples that we consider are: EV/EBITDA, EV/EBIT, PE, PEG and Net Asset models for companies with liquid markets for their assets and other industry specific ratios when available. Break-up valuation models are also sometimes considered.

### Recommendations by the 15 June 2010

	No of shares	Part of Total
Buy	10	45%
Accumulate	2	9%
Hold	5	23%
Reduce	1	5%
Sell	1	5%
Under Review	3	14%



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