AS PREMIA FOODS

OFFERING
AND
LISTING PROSPECTUS

OFFER PERIOD:
22 APRIL 2010 – 29 APRIL 2010

PRICE RANGE:
EEK 12.80 – EEK 16.20

GLOBAL LEAD MANAGER
AND BOOK-RUNNER:
AS SWEDBANK

DATED:
21 APRIL 2010

AS PREMIA FOODS OFFERING UP TO 14,500,000 ORDINARY SHARES OFFER PRICE RANGE EEK 12.80 (EUR 0.818) – EEK 16.20 (EUR 1.035) OFFER PERIOD 22 APRIL 2010 – 29 APRIL 2010

AS Premia Foods ("*the Company*"), a limited liability company incorporated in Estonia, is publicly offering up to 14,500,000 ordinary shares ("*Offer Shares*") for sale to retail and institutional investors in Estonia in connection with the issue of new ordinary shares ("*New Shares*"). Such public offering is hereinafter referred to as the "*Retail Offering*".

Simultaneously with the Retail Offering, the Offer Shares will be privately offered to institutional investors in and outside of Estonia ("*Institutional Offering*"). Such private offering will not constitute a public offering of the Offer Shares under the laws of any jurisdiction. The private offering to international institutional investors will be made on the basis of a separate offering circular and therefore this document ("*Prospectus*") relates only to the Retail Offering. The Retail Offering and the Institutional Offering are hereinafter together referred to as the "*Offering*".

In connection with the Offering, the Company has applied for the listing of all its shares in the Main List of the NASDAQ OMX Tallinn Stock Exchange on the basis of this Prospectus. It is estimated that trading in shares of the Company on the NASDAQ OMX Tallinn Stock Exchange will commence on or about 5 May 2010.

The Offer Shares are offered at a price which will fall within the price range indicated above. The final price of the Offer Shares will be determined at the end of the offer period and will be the same for all investors who choose to participate in the Offering with the exception of preferential allocation to Management (as defined below) and employees, for further details please see "*Preferential Allocation to Management and Employees*" under "*Terms and Conditions of the Retail Offering*". Note that the Company reserves the right to change the conditions of this Offering, including the number of the Offer Shares that are being offered and the price range.

By participating in the Offering, you acknowledge that investing in shares involves risks. While every care was taken to ensure that this Prospectus presents a fair and complete overview of the risks related to the Offer Shares and the Offering (please see section entitled "*Risk Factors*" below), the value of your investment may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in this Prospectus.

Global Lead Manager and Book-runner:
AS SWEDBANK

DATED
21 April 2010

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INTRODUCTORY INFORMATION

The Retail Offering is conducted in accordance with and governed by the Estonian laws implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and in accordance with the Commission Regulation No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC. Before reading this Prospectus, please take notice of the following important introductory information.

LIABILITY IN CONNECTION WITH THE OFFERING

The Person Responsible. The person responsible for the information given in this Prospectus is AS Premia Foods (registered address Betooni 4, Tallinn, 11415, Estonia, the *"Company"*). AS Premia Foods accepts responsibility for the fullness and correctness as of the date hereof of the information contained in this Prospectus. Having taken all reasonable care to ensure that such is the case, the Company believes that the information contained in this Prospectus is, to the best of the Company's knowledge, in accordance with the facts and contains no omission likely to affect its import.

AS Premia Foods
Management Board:

Kuldar Leis	Katre Kõvask	Silver Kaur	Andri Avila

Limitations of Liability. Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in this Prospectus solely on the basis of the summary of this Prospectus, unless such summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Furthermore, the Global Lead Manager (as defined hereafter) expressly disclaims any liability based on the information contained in this Prospectus, the summary of this Prospectus or individual parts thereof and will not accept any responsibility for the correctness, completeness or import of such information. No information contained in this Prospectus or disseminated by the Company in connection with the Offering may be construed to constitute a warranty or representation, whether express or implied, made by the Global Lead Manager to any third parties. In addition to the above, the Global Lead Manager accepts no responsibility or liability for the equal treatment of Management and employees in the allocation and settlement process of the Offer Shares in accordance with the provisions of the preferential allocation to the Management and employees as described under Section *"Preferential Allocation to Management and Employees"*.

Neither the Company nor the Global Lead Manager will accept any responsibility for the information pertaining to the Offering, the Company or its operations, where such information is disseminated or otherwise made public by third parties either in connection with this Offering or otherwise.

By participating in the Offering, you agree that you are relying on your own examination and analysis of this Prospectus (including the financial statements of the Company which form an indispensable part of this Prospectus) and any information on the Company that is available in the public domain. You also acknowledge the risk factors that may affect the outcome of such investment decision (as presented under *"Risk Factors"* below).

Please note that in the case of a dispute related to this Prospectus or the Offering, the plaintiff may have to resort to the jurisdiction of the Estonian courts and consequently a need may arise for the plaintiff to cover relevant state fees and translation costs in respect of this Prospectus or other relevant documents.

PRESENTATION OF INFORMATION

Approximation of Numbers. Numerical and quantitative values in this Prospectus (e.g. monetary values, percentage values etc) are presented with such precision which is deemed by the Company to be sufficient in order to convey adequate and appropriate information on the relevant matter. From time to time, quantitative values have been rounded up to the nearest reasonable decimal or whole value in order to avoid excessive level of detail. As a result, certain values presented as percentages do not necessarily add up to 100% due to the effects of approximation. Exact numbers may be derived from the financial statements of the Company, to the extent that the relevant information is reflected therein.

Currencies. In this Prospectus, financial information is presented either in Estonian kroons ("EEK"), the official currency of the Republic of Estonia, or euros ("EUR"), the official currency of the EU Member States participating in the European Economic and Monetary Union. The exchange rate between euro and the Estonian kroon is fixed at 15.6466 Estonian kroons for 1 euro. Information that has been originally available in other currencies was converted to euros or Estonian kroons as of the date for which such information is expressed to be valid. With respect to state fees, taxes and similar country-specific values, information may from time to time be expressed in currencies other than EEK or EUR. Such currencies may include the United States Dollar

("USD"), the Latvian Lat ("LVL"), the Lithuanian Litas ("LTL"), the Swedish Krona ("SEK") and the Russian Rouble ("RUB"). The exchange rates between the aforementioned currencies and euro may change from time to time.

Dating of Information. This Prospectus is drawn up based on information which was valid as of 31 December 2009. Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Company, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as of the aforementioned date. Where information is presented as of a date other than 31 December 2009, this is identified by either specifying the relevant date or by the use of expressions "the date of this Prospectus", "to date", "until the date hereof" and other similar expressions, which must all be construed to mean the date of this Prospectus (21 April 2010).

Documents on Display. For the life of this Prospectus, the following documents (or copies thereof), where applicable, may be inspected: (a) the Articles of Association of the Company; (b) all reports, letters, and other documents, historical financial information, any part of which is included or referred to in this Prospectus, as well as (c) the historical financial information of the Group for each of the three full financial years preceding the date of this Prospectus. To the extent that such documents are not reflected in this Prospectus with reasonable fullness and do not in the sole discretion of the Company constitute business secrets of the Company, physical inspection of the documents will be arranged at the offices of the Company or by electronic post at the request of any interested party and subject to an agreement between the Company and such interested party regarding the means of inspection of the relevant documents. The above does not apply to the Articles of Association of the Company and the annual reports of the Company which are publicly available from the Estonian Commercial Register at all times. All the documents in display as described herein may be obtained from the web-site of the Company at www.premiafoods.eu in Section *"Investor Relations"*.

Third Party Information and Market Information. For portions of this Prospectus, certain information may have been sourced from third parties. Such information is accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Certain information with respect to the markets in which the Company and its subsidiaries operate is based on the best assessment made by the Management. With respect to the industry in which the Company and its subsidiaries are active and certain jurisdictions in which they conduct their operations, reliable market information is often not available or is incomplete. While every reasonable care was taken to provide best possible assessments of the relevant market situation and the information on the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigation of the relevant markets or employ a professional consultant. Information on market shares is presented based on the overall revenue, unless specifically indicated otherwise.

Updates. The Company will update the information contained in this Prospectus only to such extent and at such intervals and by such means as required by the applicable law or considered necessary and appropriate. The Company is under no obligation to update or modify forward-looking statements included in this Prospectus.

Table of Definitions. In this Prospectus, capitalized terms have the meaning ascribed to them hereunder, with the exception of such cases where the context evidently requires to the contrary. Terms are listed in alphabetical order and the list is limited to the terms which are considered to be of more importance. Other terms may be defined elsewhere in the Prospectus.

Company	AS Premia Foods (whereas a reference to "us", "our" and "we" should be construed to represent a reference to the Company)
ECRS	Estonian Central Register of Securities
FFL	AS "Premia FFL"
FFLS	SIA "F.F.L.S"
Global Lead Manager	AS Swedbank
GH	Gourmethouse OÜ
Group	The Company and any of its subsidiaries
HK	Heimon Kala OY
Issue	The issue of the New Shares of the Company
Institutional Offering	The offering of the Offer Shares to institutional investors worldwide in reliance on certain exemptions found in the national securities legislation of each relevant country, which does not constitute a public offering of the Offer Shares
KPC	AB "Premia KPC"
Management	The Management Board of the Company
New Shares	New shares of the Company to be issued in connection with this Offering
Offering	The Retail Offering and the Institutional Offering together

Offer Shares	The Shares of the Company that are being offered to investors in the course of the Offering
Offer Period	The period within which investors will have the opportunity to submit Subscription Undertakings
Offer Price	The final price per each Offer Share, which shall be determined in accordance with the terms and conditions of the Offering; "Offer Price Range" shall mean the range within which the Offer Price may fall
ÖF	Överumans Fisk AB
PTKH	AS Premia Tallinna Külmhoone
Prospectus	This registration document
SF	Skärgårdshavets Fisk AB
SMK	Saaremere Kala AS
Subscription Price	The price at which investors participating in the Retail Offering may subscribe for the Offer Shares, being the upper limit of the Offer Price Range or EEK 16.20
Subscription Undertaking	An order submitted by an investor for the purchase of the Offer Shares in accordance with the terms and conditions of the Offering
Retail Offering	The public offering of the Offer Shares to investors in Estonia
Summary	Summary of this Prospectus
Section	A section of this Prospectus
Shares	The Offer Shares and other existing shares of the Company
TCS	OÜ TCS Invest
Vettel	Vettel OÜ

FINANCIAL AND OPERATIONAL INFORMATION

The consolidated financial information for the Company is prepared from 1 January 2009, as the Company was established in December 2008. Upon foundation, the shares of the Company were held by PTKH, which resolved the issuance of the new shares to the shareholders of SMK and KPC on 30 December 2008. The new shares of the Company were paid for entirely with non-monetary contributions, consisting of shares of SMK and KPC. Prior to the completion of the issuance of new shares in January 2009, the existing shares of the Company, which were held by PTKH, were sold to the subscribers of the shares of the Company.

The Company has applied the international financial reporting standards ("*IFRS*") as adopted by the European Union in its accounting from 1 January 2009. IFRS has been consistently applied by the subsidiaries of the Company for the whole period covered by the historical financial information presented in this Prospectus.

The financial information for the years 2007 and 2008 is based on pro forma consolidation of IFRS consolidated financial results of SMK and consolidated financial results of KPC. The historical audited annual financial statements for SMK were originally prepared for financial year ending on 30 June. Therefore, the pro forma consolidated financial information considers SMK financial results for the same financial year period as KPC, ending 31 December.

The consolidated report contains the financial indicators of the Group, which have been consolidated line by line. Subsidiaries are consolidated starting from the date the dominant influence or joint control was transferred to the group and their consolidation is terminated from the date the group lost the dominant influence or joint control. For the purposes of the consolidated report, a subsidiary is a company whose activities are controlled by a parent company. A subsidiary is deemed as controlled by the parent company if a parent company holds over 50% of the voting shares in the subsidiary either directly or indirectly or is otherwise capable of controlling the operating or financial policies of the subsidiary. Subsidiaries use the same accounting principles as the parent company. All intra-group transactions, receivables and liabilities as well as retained earnings and losses on transactions concluded between the group companies have been fully eliminated from the annual accounts. Retained losses are not eliminated if they basically represent impairment. New subsidiaries are recognised in the consolidated annual accounts using the purchase method. The cost of acquisition of companies recognised pursuant to the purchase method is allocated to the fair values of assets, liabilities and contingent liabilities as of the date of acquisition. The proportion of acquisition cost that exceeds the fair value of assets, liabilities and contingent liabilities acquired is recognised as goodwill. Goodwill reflects the part of the historical cost paid for such assets of the acquired company which cannot be differentiated and recognised separately. If fair value exceeds the acquisition cost, the difference is immediately recognised in full as income received during the period (in the income statement on the *"General administrative expenses"* account).

In order to consolidate KPC and SMK from the beginning of the reporting period as well as for the sake of greater disclosure, the data for the opening balances of 31 December 2008 are stated on a pro forma basis as if the acquisitions of KPC and SMK have been both carried out before the balance date of 31 December 2008. The financial information for the years 2007 and 2008 is based on pro forma consolidation of IFRS consolidated financial results of SMK and KPC. SMK and KPC have been consolidated line by line as if these two consolidation groups acted under joint control together. Intra-group transactions have been eliminated in the process of pro forma consolidation. Subsidiary GH has been incorporated into the group since 1 July 2007 and FFL since 31 October 2007, i.e from the dates the group acquired control in these companies.

The historical audited annual financial statements for SMK were originally prepared for financial year ending 30 June. All annual reports of SMK for the periods 24 October 2006 – 30 June 2007, 1 July 2007 – 30 June 2008 and 1 July 2008 – 31 December 2009 have been prepared in accordance with IFRS. First two accounting periods have been audited by Ernst & Young Baltic AS and last one by Alliott Kangust OÜ. Annualized data for pro forma consolidation of the Company has been derived from audited annual accounts of SMK. Derivation process of annualized data from the audited accounts has been controlled and approved by the auditor.

KPC consolidated audited annual report for the financial year ended on 31 December 2007 has been prepared in accordance with local GAAP and for year 2008 in accordance with IFRS. Both reports have been audited by UAB Ernst & Young Baltic. Data for the Company's 2007 and 2008 pro forma consolidation has been obtained from 2008 IFRS consolidated report annexed to this Prospectus.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements (notably under Sections entitled *"Summary" "Risk Factors"*, *"Dividend Policy"*, *"Operations"* and *"Results of Operations and Outlook"*). Such forward-looking statements are based on current expectations and projections about future events, which are in turn made on the basis of the best judgment of the Management. Certain statements are based on the beliefs of the Management as well as assumptions made by and information currently available to the Management. Any forward-looking statements included in this Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Group, the macro-economic environment and other similar factors.

In particular, such forward-looking statements may be identified by use of words such as "strategy", "expect", "plan", "anticipate", "believe", "will", "continue", "estimate", "intend", "project", "goals", "targets" and other words and expressions of similar meaning. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements contained in this Prospectus whether as a result of such changes, new information, subsequent events or otherwise.

The validity and accuracy of any forward-looking statements is affected by the fact that the Group operates in a highly competitive and consumer-driven business. This business is affected by changes in domestic and foreign laws and regulations (including those of the European Union), taxes, developments in competition, economic, strategic, political and social conditions, consumer response to new and existing products and technological developments and other factors. The Group's actual results may differ materially from the Management's expectations because of the changes in such factors. Other factors and risks could adversely affect the operations, business or financial results of the Group (please see *"Risk Factors"* for a discussion of the risks which are identifiable and deemed material at the date hereof).

USE OF THIS PROSPECTUS

This Prospectus is prepared solely for the purposes of the Retail Offering and may not be construed as a warranty or a representation to any person not participating or not eligible to participate in the Retail Offering. No public offering of Shares is conducted in any jurisdiction other than Estonia and consequently the dissemination of this Prospectus in other countries may be restricted or prohibited by law. You may not use this Prospectus for any other purpose than for making the decision to participate or refrain from participating in the Retail Offering. You may not copy, reproduce (other than for private and non-commercial use) or disseminate this Prospectus without express written permission from the Company. Please see *"Offering and Transfer Restrictions"* for more information.

SUMMARY

This Summary is not the prospectus for the public Offering and the listing of our Shares and should be read merely as an introduction to the same. This Summary summarizes the facts and circumstances that we, in accordance with the best judgement of the Management, consider important with respect to our business and the public Offering of our Shares. Any decision to participate in the Offering and invest in our Shares should be based by each investor on the Prospectus as a whole and not merely on this Summary. This Summary is available also in Estonian language, while the entire English-language Prospectus will not be translated to Estonian or any other language. Prospective investors are cautioned that where a claim relating to the information contained in the Prospectus (or this Summary) is brought before a court, the plaintiff investor might, under the national legislation of the relevant state, have to bear the costs of translating the entire Prospectus before court proceedings are initiated. We accept civil liability in respect of this Summary solely in the case where this Summary is found to be misleading, inaccurate or inconsistent when read together with the Prospectus as a whole. Please note that a summary of the Prospectus is also available as a separate document in Estonian language. Such separate document is not merely a translation of this Summary and includes more information that this Summary. It is made available to potential investors in the same manner and through the same channels as the Prospectus. Documents that serve as basis for this Summary are available for inspection on terms indicated under Section entitled "Introductory Information" above.

INTRODUCTION TO OUR BUSINESS

We are a leading branded foods processing company, operating in the Baltic states as well as in Finland and Sweden, producing and trading in frozen goods, ice cream, fish and fish products, and fish farming.

Being the oldest ice cream producer and market leader in the Baltic states in the ice cream and frozen food market, we are also in strong second position in chilled packed fish market in Finland. The most famous trademarks of the Group include "Premia", "Väike Tom", "Regatt", "Vau", "Maahärra" in Estonia, "Bravo", "Klasika" and "Natali" in Latvia and Lithuania, "Heimon Gourmet" and "Saaristomeren Kala" in Finland, "Bueno!" and "Polar Fish" in the Baltics. The Group's pan-Baltic presence and good reputation as a capable and reliable distributor, has made our Group companies attractive business partners for the producers of various frozen food brands distributed by the Group (e.g. "Aviko", "Hortex", "Esva" etc). The Group has also proven itself as a committed partner for private label operators, i.e. retail chains, in the Baltics and Finland.

Over the recent years, the Group has had aggressive growth strategy via expansion on current markets and has entered new ones. This has given us the benefit of understanding international operations and the importance of skilled and motivated management team.

The Group's total revenues in the 12 months ended on 31 December 2009 were EEK 1,075 million (EUR 68.7 million). The turnover of the first quarter of 2010 grew by 5% reaching an amount of EUR 15 million (EEK 235 million). Approximately 2/3 of the turnover of the Company is gained from export of goods.

Currently, the Group is expanding its new market segments in Finnish and Baltic market for fish products, and continues to build on its leadership in Baltic ice cream market. Significant development is expected in St. Petersburg area post acquisition of OOO Khladokombinat No 1. The Company's management and team have actively worked with the current management of Khladokombinat No 1 already for the past two years and has developed in-depth knowledge and expertise in the ice cream market of North-Western Russia.

STRUCTURE OF THE GROUP

The Company (AS Premia Foods) is a limited liability company, established in Estonia in December 2008 by AS Premia Tallinna Külmhoone (PTKH) with the purpose of creating a holding company for the group consolidating various food companies. The Group has three business lines – (i) ice cream; (ii) frozen food; and (iii) fish and fish products. The ice cream and frozen food business lines of the Group are represented mainly by the Estonian company PTKH, the Lithuanian company AB "Premia KPC" (KPC) and the Latvian company AS "Premia FFL" (FFL) (95%). Additionally, two holding companies – the Estonian company OÜ TCS Invest (TCS) and the Latvian company SIA "F.F.L.S" (FFLS) – belong to this part of the Group. The fish and fish products business line of the Group is represented by the Estonian companies Saaremere Kala AS (SMK), Vettel OÜ (Vettel) and Gourmethouse OÜ (GH) (75.7%), the Finnish company Heimon Kala OY (HK) and the Swedish companies Överumans Fisk AB (ÖF) and Skärgårdshavets Fisk AB (SF).

STRATEGY

The Group's strategic goal is to become the leading company in deep frozen and chilled food processing and sales in the Baltic, Scandinavian and North-West Russian area. In order to achieve this goal, the Group focuses on expansion, exploring synergies and increasing efficiency.

The expansion includes the following measures:

- Acquisition of enterprises and trademarks with the purpose of strengthening or expanding business activities in target markets;
- Utilising existing trademarks for new product categories;
- Launch of new trademarks for new product categories;
- Strengthening the trademark "Premia" as a corporate brand and communicating its characteristics in all target markets;
- Strengthening and expansion of strong existing trademarks with the focus on "Premia" as umbrella brand;
- Taking full advantage of the existing production capacity to support the entry into new markets;
- Taking full advantage of the existing marketing and sales know-how to expand the sales of frozen foods and ice cream in Finland and the sales of chilled fish products in the Baltics, as well as to deploy common principles on designing the product portfolio in the Baltics, Finland and Russia.

To increase efficiencies, the following measures will be applied:

- Continuous optimisation of production units;
- Taking advantage of increased bargaining power in order to obtain better purchase prices from suppliers of raw materials, packaging, logistics, etc;
- Continuous optimisation of product portfolio in all markets.

COMPETITIVE ADVANTAGES

The success of the Group in the Baltic, Scandinavian and Russian markets and its continuing expansion is driven by certain competitive advantages that we believe to hold over our peers.

The expansion includes the following measures:

- **Strong brands.** The Group holds and operates a strong portfolio of well-recognised and trusted brands in all areas of operation of the Group. The Group's flagship brand "Premia", which was launched originally as a product brand for ice cream business line, has become a corporate brand, which has earned the trust and recognition of consumers and business partners, as well as of the wider public. At the same time, many of the Group's product brands are consumer favourites in the relevant product segments, for instance "Heimon Gourmet" in the Finnish fish and fish products market, "Maahärra", "Natali", "Bueno!" and "Polar Fish" in the Baltic frozen foods market, "Väike Tom", "Premia", "Põhjatäht", "Vau", "Regatt", "Eskimo", "Aurora", "Bravo" and "Klasika" in the Baltic ice cream market. The Group also owns well-recognised trademarks in St.Petersburg, which gives remarkable competitive advantage in this ice cream market.

- **Professional management and team.** The Group's management and majority of other members of the Group's team have ample experience in the food industry, allowing to cope with any day-to-day matters efficiently and expediently, and quickly adapt to market developments. As the management team gathers members with both international and local experience (derived from working with multiple markets on an everyday basis), the management's wide contact network and established reputation facilities the business process and setting up relations with new business partners.

- **Modern production units.** Most of the production units of the Group, such as the fish processing units of HK in Uusikaupunki, Finland, and of Vettel in Saaremaa, Estonia, the ice cream factory of PTKH in Tallinn, Estonia, and the fish breeding facilities in Sweden and Finland, have been recently built or renovated and meet the highest European standards. This ensures the efficiency of production and high quality of products.

- **High-quality products.** The Group has a wide product portfolio, consisting of high-quality and well-recognised products in all markets. The Group's products have won the consumer's trust and the loyalty of consumers to the Group's products is noticeable in all markets. Such consumer loyalty is of particular significance in the Scandinavian markets, where consumers are generally more conservative and where trust towards novel producers takes years to establish.

- **Advanced IT systems.** The scale of the Group's operations allows us to take advantage of high-standard, better, more sophisticated and correspondingly more expensive IT systems which ensure stable operations and integration of all Group entities. This in turn provides the management with the constant availability of current and precise information on the operations and results of the Group. Moreover, from the operational side, it allows meeting the clients' expectation with respect to orders and deliveries, as the access to current integrated stock data facilitates stock management and production planning.

- **Diversification of risks between various countries and product groups.** The Group operates in a range of different product and geographical markets and moreover, has a wide product portfolio within all markets. This reduces the Group's vulnerability to various industry and business risks and hence, helps to diversify risks.

- **Vertical integration.** The Group enjoys the benefit of vertical integration in various business lines. This is most apparent, but also most important for the fish and fish products business line, where the Group's own fish breeding operations help to secure the constant availability of high standard input, the Group's own processing facilities secure the quality and flexibility of production and the Group's own distribution system procures the market access. Similarly, the pan-Baltic distribution network secures the market access to the Group produced ice cream and branded frozen food products.

- **Financial Strength.** The Group has strong balance sheet and cash flow and maintained solid financial position also during the recent crises. Group companies have never defaulted on payables or debt servicing and maintain low debt gearing. The Group has financially strong and liquid core shareholders.

- **Transparency of operations.** The Group enjoys a justified reputation for the transparency and legitimacy of operations. We are determined to continue adhering to the highest business ethics standards and regulatory compliance.

MANAGEMENT AND EMPLOYEES

In accordance with the Estonian law, the operational management of the Company is structured as a two-tier system. The Management Board is responsible for the day-to-day management of the Company's operations and is eligible to represent the Company on the basis of the law and the Articles of Association. The Supervisory Board of the Company is responsible for the strategic planning of the business activities of the Company and supervising the activities of the Management Board. The highest corporate body of the Company is the General Meeting of shareholders.

The Management Board of the Company currently consists of four members, whose authorities are valid for three years since appointment. According to the Articles of Association of the Company, the Management Board may have from one to four members. Currently, the members of the Management Board of the Company are Mr Kuldar Leis (chairman of the Management Board), Ms.Katre Kõvask, Mr Silver Kaur and Mr Andri Avila.

According to the Articles of Association of the Company, the Supervisory Board consists of three to six members who are appointed by the General Meeting of shareholders for a period of five years. Currently, the members of the Supervisory Board of the Company are Mr Indrek Kasela (chairman of the Supervisory Board), Mr Lauri Kustaa Äimä, Mr Erik Haavamäe, Mr Aavo Kokk, Mr Harvey Sawikin and Mr Jaakko Karo.

As at 31 December 2009, the Group employed in total 581 employees.

ADVISERS AND AUDITORS

The principal legal counsel to the Company is AS Advokaadibüroo Lepik & Luhaäär LAWIN (address Niguliste 4, 10130, Tallinn, Estonia).

In accordance with the resolution of the General Meeting of shareholders of the Company, dated 17 August 2009, the auditor of the Company is Alliott Kangust OÜ (address Narva mnt 5, 10117, Tallinn, Estonia).

CAPITALIZATION AND INDEBTEDNESS

For information on capitalization and indebtedness of the Company, please refer to the Section entitled *"Capitalization"*.

REASONS FOR THE OFFERING AND USE OF PROCEEDS

The primary purpose of the Offering is to strengthen the equity position of the Company and to further support the Group's growth strategy and expansion of its business in its core markets in the Baltics, Scandinavia and North-West Russia. The Offering is expected to broaden the shareholder base with Estonian retail and international institutional investors and create the necessary conditions for the listing of Shares on the Main List of the NASDAQ OMX Tallinn Stock Exchange.

The aggregate net proceeds to be received by the Company from the Offering are expected to be used partially for the additional investments into expansion of operations in St. Petersburg region in Russia. Namely, as the date of this Prospectus, PTKH has acquired the trademarks of ZAO Khladokombinat No 1. Now the Company is finalizing its expansion in St. Petersburg region by acquiring OOO Khladokombinat No.1, fully owned subsidiary of ZAO Khladokombinat No 1. OOO Khladokombinat No 1 has recently taken over all ice cream operations and assets of ZAO Khladokombinat No 1. A part of the proceeds will be used to repay part of the Group's outstanding debt to commercial banks and shareholders loans. Finally, a part of the proceeds will serve as reserve for the purposes of further developments. For information on use of proceeds, please refer to the Section entitled *"Use of Proceeds"*.

RELATED PARTY TRANSACTIONS

The Group companies have entered into several related party transactions that are customary commercial relations between group companies that are mainly done on arms length basis. For information on related party transactions, please refer to the Section entitled *"Business Overview"*.

RISK FACTORS

Our operations inevitably involve certain risks and contingencies. Before investing in Shares, prospective investors are strongly advised to consider the Section entitled *"Risk Factors"* for a comprehensive overview of the circumstances which we regard as having the potential to affect the results of our operations (and, correspondingly, the value of the Shares) in the future. In particular, such circumstances may be related to the Estonian investment climate, to the public offering and listing of the Offer Shares, to certain company-specific aspects of our operations, to the geographic markets in which we do business or to the industry in which we operate. Prospective investors are cautioned that though every effort was exerted to make proper mention of every material risk of which we are aware, our operations could still be affected by other circumstances which are either not known or not considered material at this time. The trading price of the Offer Shares could decrease as a result of realisation of such risks.

SHARES AND SHAREHOLDERS

As at the date of this Prospectus, the registered share capital of the Company is EEK 241,828,600. It is divided into 24,182,860 ordinary Shares with the nominal value of EEK 10 each. The ISIN code of Shares is EE3100101031.

All shareholders of the Company have equal voting rights. Prior to the Offering, the Company is controlled by Amber Trust II S.C.A., which holds 53.8% of the shares of the Company. Together with Amber Trust S.C.A., which holds 22.3% of the shares of the Company, Amber Trust II S.C.A. and Amber Trust S.C.A. hold 76.1% of the shares of the Company prior to the offering.

Amber Trust S.C.A. (launched in 2002) and Amber Trust II S.C.A. (launched in 2005) are private equity funds domiciled in Luxembourg and regulated by Luxembourg's *Commission de Surveillance du Secteur Financier.* Danske Capital Finland Ltd. and Firebird Private Equity Advisors LLC act as joint investment advisors of the aforesaid funds with equal rights and responsibilities. The funds' objective is to generate long-term capital gains by making investments primarily in the Baltic States.

Please turn to the Section *"Share Ownership"* for further details on the minority shareholders in the Group companies.

DIVIDENDS

The Offer Shares will give rights to dividends declared by the Company (if any) for the financial year beginning on 1 January 2009 and for the subsequent financial years. So far, the Company has been re-investing most of its earnings in order to maintain the strategy of expansion.

OFFERING

The Company is publicly offering the Offer Shares for sale to individual and institutional investors in Estonia, as well as privately to institutional investors in and outside Estonia. The offering made publicly to individual and institutional investors in Estonia (*"Retail Offering"*) is conducted in accordance with the laws of Estonia implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and in accordance with the Commission Regulation No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC, as an initial public offering of Shares of the Company. The offering privately made to institutional investors worldwide (*"Institutional Offering"*) is targeted to pre-determined professional investors and does not constitute a public offering of Shares under the laws of any jurisdiction. The Retail Offering and the Institutional Offering together constitute the Offering. A summary of the main terms of the Offering follows (while the complete set of conditions applicable to the Offering may be found in the Prospectus:

Offering	In the course of the Offering, up to 14,500,000 Offer Shares are being offered by the Company for sale. The total number of Offer Shares may be changed. In order to conduct the Offering, the General Meeting of shareholders of the Company has passed on 21 April 2010 a resolution on conditional issue of the New Shares. Such conditional issue of the New Shares is expected to be registered in the Estonian Commercial Register on or about 29 April 2010. The above-mentioned resolution of the General Meeting of shareholders of the Company grants the Management of the Company the right to issue the New Shares. The Retail Offering constitutes a public offering of Shares in Estonia. The Institutional Offering constitutes a private offer of Offer Shares outside the United States to institutional investors in reliance on Regulation S under the Securities Act.

Shares	The share capital of the Company currently consists of 24,182,860 ordinary Shares with the nominal value of EEK 10 each. A total of up to 14,500,000 New Shares will be issued in the course of the Offering. Upon completion of the Offering, and assuming that all Offer Shares and New Shares are subscribed, there will be a total of 38,682,860 Shares issued and outstanding with the nominal value of EEK 10 each. This will result in the aggregate share capital of EEK 38,828,800 consisting of 38,682,860 Shares with the nominal value of EEK 10 each. The Offer Shares and the New Shares rank *pari passu* with all the remaining Shares of the Company.
Offer Period	The Offer Period commences on 22 April 2010 and ends on 29 April 2010.
Offer Price Range	The Offer Price Range is EEK 12.80 (EUR 0.818) to EEK 16.20 (EUR 1.035) per Offer Share. The Offer Price Range may be changed during the book-building process directed at institutional investors in the course of the Institutional Offering. The final Offer Price will be based on the results of such book-building process. The Offer Price will be the same for all investors participating in the Retail Offering or the Institutional Offering.
Percentage of the Total Issued Share Capital Being Offered in the Offering	The Offer Shares represent approximately 37.5% of the share capital of the Company following the completion of the Offering and provided that the number of Offer Shares is not changed.
Listing	An application has been made for Shares to be listed on the NASDAQ OMX Tallinn Stock Exchange. Trading in Shares on the Tallinn Stock Exchange is expected to commence on 5 May 2010.
Settlement	It is expected that the delivery of the Offer Shares will be made on or about 4 May 2010 through the facilities of the Estonian Central Register of Securities (*"ECRS"*) (but in any case no later than 5 May 2010).
Lock-up Agreements	The Company and its shareholders have agreed that, without the prior written consent of AS Swedbank, shareholders will not dispose of any Shares owned by them or enter into transactions similar in nature at any time or any securities however convertible into Shares during the period commencing on the last day of the Offer Period and ending 360 days after the commencement of trading in the Shares on the NASDAQ OMX Tallinn Stock Exchange.
Voting Rights	Each Offer Share carries and, upon registration with the Estonian Commercial Register, each New Share will carry one vote at the General Meetings of shareholders of the Company.
Dividend Rights	The Offer Shares entitle and, upon registration with the Estonian Commercial Register, the New Shares will entitle holders of the same to any future dividends beginning from any dividend declared for the financial year commenced on 1 January 2009.
Use of Proceeds	The aggregate net proceeds to the Company from the issuance of the new Shares in the Offering, after the deduction of fees and expenses payable in connection with the issue of new Shares and the Offering, are estimated to reach approximately EEK 201 million based on the midpoint of the Offer Price. The aggregate net proceeds to be received by the Company from the Offering are expected to be used for as indicated in this Summary and Prospectus. See "*Reasons for the Offering and Use of Proceeds*" for more details.
Selling and Transfer Restrictions	Sales and transfers of the Offer Shares will be subject to certain restrictions. See the Prospectus for more details.
ISIN Code of the Shares	The ISIN code of the Shares is EE3100101031.
Trading Code of the Shares	The trading code of the Shares on the Tallinn Stock Exchange is expected to be "PRF1T".
Global Lead Manager	The Global Lead Manager of the Offering is AS Swedbank.

INFORMATION AVAILABLE FOR INSPECTION

The following documents (or copies thereof), where applicable, may be inspected: (a) the Articles of Association of the Company; (b) all reports, letters, and other documents, historical financial information, any part of which is included or referred to in this Prospectus, as well as (c) the historical financial information of the Company for each of the two full financial years preceding the date of this Prospectus. To the extent that such documents are not reflected in this Prospectus with reasonable fullness and do not in the sole discretion of the Company constitute business secrets of the Company, physical inspection of the documents will be arranged at the offices of the Company or by electronic post at the request of any interested party and subject to an agreement between the Company and such interested party regarding the means of inspection of the relevant documents. The above does not apply to the Articles of Association of the Company and the annual reports of the Company which are publicly available from the Estonian Commercial Register at all times. All the documents in display as described herein may be obtained from the web-site of the Company at www.premiafoods.eu in Section *"Investor Relations"*.

LISTING AND TRADING

At the date hereof, no securities issued by the Company are admitted to trading on any regulated market. The purpose of the Offering, among other things, is the subsequent listing of all the Shares on the NASDAQ OMX Tallinn Stock Exchange. The Company has applied for the conditional listing of all its Shares in the Main List of the NASDAQ OMX Tallinn Stock Exchange. It is estimated that trading in shares of the Company on the NASDAQ OMX Tallinn Stock Exchange will commence on 5 May 2010.

KEY DATES

The following are indicative the key dates in the progress of the Offering:

21 April 2010	The Extraordinary General Meeting of Shareholders of the Company adopted the conditional resolution to increase the share capital of the Company by granting the Management the right to issue the New Shares
22 April 2010	Offer Period commences
29 April 2010	Offer Period concludes
3 May2010	Offer Price and allocation of Offer Shares is determined and published
4 May 2010	Settlement of Offer Shares
5 May 2010	Trading in Shares of the Company commences on the NASDAQ OMX Tallinn Stock Exchange

SUMMARY FINANCIAL INFORMATION

The tables below present certain selected financial data as of the end of financial years on 31 December 2007, 2008 and 2009. The information presented below has been derived from the pro forma consolidation of audited consolidated financial statements of SMK and KPC for years 2007 and 2008 and from the audited consolidated financial statements of the Company for year 2009.

	12 months ended 31.12		
	2007	**2008**	**2009**
	pro forma	*pro forma*	*actual*
INCOME STATEMENT INFORMATION	(in EEK millions unless otherwise stated)		
Revenue	995.4	1,210.2	1,075.0
Operating profit	72.7	10.2	39.4
Profit before income tax and minority interests	49.6	-30.8	10.2
Net profit for the financial year	43.1	-25.3	10.0
BALANCE SHEET INFORMATION			
Current assets	384.7	413.3	385.6
Non-current assets	561.7	615.0	597.5
Cash and cash equivalents	21.8	19.7	19.6
Total assets	946.4	1028.3	983.1
Total liabilities	668.5	602.4	549.0
Interest-bearing liabilities	425.3	328.2	309.3
Equity	277.9	425.9	434.1
CASH FLOW INFORMATION			
Cash flow from operating activities	n.a.	21.9	36.6
Cash flow from investing activities	n.a.	84.0	-5.0
Cash flow from (used in) financing activities	n.a.	-108.0	-28.6
PER SHARE INFORMATION			
Average number of shares	n.a.	n.a.	1,221,042
Earnings per share (EPS), EEK	n.a.	n.a.	8.19
RATIOS AND INDICATORS			
EBITDA	117.6	75.2	97.1
EBITDA margin, %	11.8%	6.2%	9.0%
Operating profit margin, %	7.3%	0.8%	3.7%
Return on investment (ROI), %	n.a.	1.4%	5.3%
Return on equity (ROE), %	n.a.	-6.9%	2.5%
Return on assets (ROA), %	n.a.	1.0%	3.9%
Equity ratio, %	29.4%	41.4%	44.2%
Capital expenditure	64.5	35.1	10.6
Number of employees	659	647	581

	12 months ended 31.12		
	2007	**2008**	**2009**
	pro forma	*pro forma*	*actual*
INCOME STATEMENT INFORMATION	(in EUR thousands unless otherwise stated)		
Revenue	63,619	77,348	68,703
Operating profit	4,645	650	2,516
Profit before income tax and minority interests	3,170	-1,971	650
Net profit for the financial year	2,757	-1,617	639
BALANCE SHEET INFORMATION			
Current assets	24,583	26,414	24,643
Non-current assets	35,901	39,308	38,185
Cash and cash equivalents	1,392	1,259	1,254
Total assets	60,484	65,722	62,828
Total liabilities	42,726	38,501	35,083
Interest-bearing liabilities	27,178	20,974	19,767
Equity	17,758	27,221	27,745
CASH FLOW INFORMATION			
Cash flow from operating activities	n.a.	1,398	2,340
Cash flow from investing activities	n.a.	5,371	-317
Cash flow from (used in) financing activities	n.a.	-6,902	-1,825
PER SHARE INFORMATION			
Average number of shares	n.a.	n.a.	1,221,042
Earnings per share (EPS), EUR	n.a.	n.a.	0.52
RATIOS AND INDICATORS			
EBITDA	7,513	4,807	6,203
EBITDA margin, %	11.8%	6.2%	9.0%
Operating profit margin, %	7.3%	0.8%	3.7%
Return on investment (ROI), %	n.a.	1.4%	5.3%
Return on equity (ROE), %	n.a.	-6.9%	2.5%
Return on assets (ROA), %	n.a.	1.0%	3.9%
Equity ratio, %	29.4%	41.4%	44.2%
Capital expenditure	4,124	2,241	680
Number of employees	659	647	581

EBITDA = earnings before financial items, tax, depreciation & amortization
EBITDA margin, % = EBITDA / net sales
Operating profit margin, % = operating profit / net sales
ROI = operating profit / average (interest-bearing liabilities + equity + minority interest)
ROE = net profit / average shareholders' equity
ROA = operating profit / average total assets
Equity ratio = (shareholders equity + minority interests) / total assets

RISK FACTORS

This overview of the various risk factors related to the Company's business represents what we, in accordance with the best judgement of the Management, consider to be of material importance in relation to our present and future operations. While we consider the following to be a fair, full and comprehensive disclosure of all relevant risk factors, this overview (either in conjunction with the Summary or alone) is not a substitute for the rest of the Prospectus and should not be perceived as such. We stress that a full and accurate assessment of our operations may only be made on the basis of the entire Prospectus. Furthermore, the operations of the Company may be affected by risks that are either not known or have not materialised by the date of this Prospectus. Should such risks emerge, the value of the investment made in Shares of the Company may suffer.

RISKS RELATED
TO THE ESTONIAN INVESTMENT CLIMATE

GENERAL RISKS RELATED TO ESTONIA

Estonian market is an emerging one and therefore it is subject to greater risks than more mature markets, including legal, economic and political risks. Throughout two previous decades Estonia has experienced significant political, legal and economic changes and extensive liberalisation driven by transition from the Soviet Union rule and plan economy to independence and market economy.

Estonian accession to the EU in 2004 resulted in significant social and economic changes and extensive reforms in its legal and regulatory framework. For that reason, volume of Estonian legislation and other regulations has increased significantly and the respective tendency is ongoing due to the obligation to apply and implement EU law. Such new regulatory framework remains in vast part untested in courts and no clear and unified administrative and court interpretation practice has evolved.

RISKS RELATED TO CURRENT MARKET SITUATION IN ESTONIA

The worldwide financial crisis has had significant adverse impact on the Estonian economy. According to the Estonian Statistics Board, GDP decreased in 2009 14.1%. In 2010, the decrease of economy is expected to slow down in a stable manner and the growth of economy is expected to restore in the second half of 2010.

RISKS RELATED TO THE LEGAL AND REGULATORY ENVIRONMENT IN ESTONIA

Estonian legal framework has recently undergone significant changes, including general corporate, securities market and bankruptcy laws. Most of such changes relate to adoption of the EU law. Although such amendments bear an upside of unifying Estonian legal framework for doing business with the legal framework as applicable in the territory of the EU; the law as amended will be interpreted and enforced by Estonian courts. As at today, Estonian courts are lacking unified practice in majority of legal issues and therefore it is rather difficult to estimate results of cases being brought before Estonian courts. Above all such unpredictability concerns laws and regulations as amended to implement the EU law. Such lack of unified practice could result in adverse effect in enforcing rights of Estonian enterprises.

Significant changes in the legal and regulatory environment in Estonia may be triggered by the on-going financial crises. Essence and impact of such changes to the Estonian economy is not predictable.

RISKS RELATED TO ESTONIAN TAX REGIME

As a general note, Estonian tax laws and regulations have not been in force for long time, as compared to more developed market economies. Therefore, interpretation of the laws may cause problems and uncertainties due to ambiguity of some laws and regulations and non-existent or unclear enforcement practice. Differing opinions regarding the interpretation of some legal acts exist within tax authorities, which in turn, cause uncertainties to companies operating in Estonia. Due to such uncertainties, the Group's tax position could be challenged by tax authorities and could lead to significant sanctions and interests charges to the Group.

CURRENCY RELATED RISKS

Estonia joined the Exchange Rate Mechanism (ERM II) in June 2004, as a result of which the central exchange rate for Estonian national currency (EEK) against the euro was fixed. The Estonian kroon is pegged to the euro at the fixed rate of EEK 15.6466 for EUR 1.

Under ERM II, the three countries' currencies must not deviate by more than 15% up or down against the euro from the agreed rates. It is currently unclear when Estonia starts using euro notes and coins; nevertheless, it has been speculated to take place in 2011 (in the light of the current financial crises such term may be in jeopardy).

A delay in the transition to the euro may ultimately lead to a drop in consumer confidence and the overall decline in the growth rates of the Baltic economies. When completed, the transition to the euro in the Baltic States may pose a currency exchange risk which may materialise through changes in the current exchange rates between national currencies and the euro.

RISKS RELATED TO THE OFFERING AND THE LISTING

AN ACTIVE MARKET FOR THE SHARES MAY NOT DEVELOP

Prior to this Offering, there has been no public market for the Shares. The Company cannot provide any assurance an active trading market for Shares will emerge, develop or be sustained after the completion of the Offering. The Offer Price will be determined through negotiations among the Global Lead Manager, the Company and the shareholders of the Company. This initial Offer Price may vary from the market price of the Shares after the Offering. If you purchase any Shares, you may not be able to resell those Shares at or above the Offer Price.

The price of the Shares after this Offering may be volatile and may fluctuate significantly in response to numerous factors including the actual or anticipated fluctuations in the quarterly and annual results of the Company and those of its publicly-held competitors; industry and market conditions; mergers and strategic alliances in the food industry; changes in laws and regulations; shortfalls in the operating results of the Company or its competitors compared to levels forecast by investment analysts; public announcements concerning the Company or its competitors; global and regional economic conditions and the general state of securities markets. Many of these factors may be beyond the control of the Company and are difficult or impossible to predict.

VOLATILITY AND LIMITED LIQUIDITY OF STOCKS LISTED ON THE NASDAQ OMX TALLINN STOCK EXCHANGE

Application has been made to the NASDAQ OMX Tallinn Stock Exchange for Shares to be admitted to trading on the NASDAQ OMX Tallinn Stock Exchange's market for listed securities. Though every effort will be made to ensure that listing will occur, the Company cannot provide any assurance that Shares will be admitted to trading.

The average daily trading turnover on the NASDAQ OMX Tallinn Stock Exchange from 1 January to 31 December 2009 was EUR 1,070,780. As at 31 March 2010, total of 15 companies were listed on the NASDAQ OMX Tallinn Stock Exchange. As at 31 March 2010, the two largest companies in terms of market capitalization, AS Tallink Grupp and AS Tallinna Vesi, represented approximately 43% of the NASDAQ OMX Tallinn Stock Exchange's aggregate market capitalization of approximately EUR 1,456 million. Consequently, the NASDAQ OMX Tallinn Stock Exchange is substantially less liquid and more volatile than established markets such as those in other countries with highly developed securities markets. The relatively small market capitalization and low liquidity of the NASDAQ OMX Tallinn Stock Exchange may impair the ability of shareholders to sell Shares on the NASDAQ OMX Tallinn Stock Exchange, which could increase the volatility of the price of Shares. The delisting of any of the large companies listed on the NASDAQ OMX Tallinn Stock Exchange would be likely to have a negative effect on the market capitalization and liquidity of the NASDAQ OMX Tallinn Stock Exchange as a whole.

Since the NASDAQ OMX Tallinn Stock Exchange is characterised by relatively low investor activity, the impact of individual transactions on the market price of securities may be significant. Lower investor activity may lead to wider spreads between the bid and ask prices and a correspondingly lower liquidity of traded securities.

PAYMENT OF DIVIDENDS

The Company is under no lasting and definite obligation to pay regular dividends to its shareholders and no representation can be made with respect to the payment and amount of future dividends. The Management's recommendations for the distribution of profit will be based on financial performance, working capital requirements, reinvestment needs and strategic considerations which may not necessarily coincide with the short-term interests of all shareholders. The payment of dividends and the amount thereof will be subject to the ultimate discretion of the majority of the Company's shareholders.

ANALYSTS MAY STOP PUBLISHING RESEARCH OR REPORTS ON THE COMPANY

There is no guarantee of continued analyst research coverage for the Company. Over time, the amount of third party research available in respect of the Company may increase or decrease with little or no correlation with the actual results of its operations as Company has no influence on the analysts who prepare such reports. Negative or insufficient third party reports would be likely to have an adverse effect on the market price and the trading volume of Shares.

MAJOR SHAREHOLDERS

Despite the Offering, the Company will remain under the control of the private equity funds Amber Trust S.C.A, Amber Trust II S.C.A and DCF Fund II Baltic States. Following the completion of the Offering Amber Trust funds and DCF Fund II Baltic States will hold approximately 52.5% of the Shares of the Company. With the holding of more than 50% plus one share in the Company, Amber Trust funds and DCF Fund II Baltic States will be able to adopt a vast range of the corporate decisions that are in the competence of the General Meeting of shareholders of the Company (see more under *"General Corporate Information and Shares – Rights of Shareholders"*) or block such decisions.

BUSINESS RISKS

MANAGEMENT OF EXPANSION

The Group has so far pursued the strategy of constant expansion into a new product and geographic markets. This has allowed to maintain exceptional rates of growth in terms of revenues, as well as to benefit from the increasing effects of scale economy in multiple areas such as IT, purchases of equipment and marketing. The Management expects that the Group will continue to grow through organic expansion of its operations and through further acquisitions. The further growth may require expansion into new geographic markets in the region and client segments in the existing and new markets, as well as development of new products and business lines. The rapid growth of the Group may lead to administrative and structural difficulties. Managing an increasing amount of local entities, each operating in a different economic and legal environment, will pose a challenge for the executive team of the Group and may ultimately result in higher administration costs and a slower rate of expansion. At the same time, the top management of the Group already possesses considerable experience in running international operations and expanding the business of the Group into new markets. It is becoming an increasingly international team of professionals which is hoping to be able to sustain the current speed of growth in the observable future.

Failure to manage the growth and development processes may have a negative impact on the Group's profits and financial position. The continuing expansion demands investments in fixed assets and additional working capital. The availability of additional financing on favourable term cannot be secured.

RECENT ACQUISITIONS AND RESTRUCTURINGS

The Group has acquired several new subsidiaries (FFL, GH, Saaristomeren Kala Oy), divested some Finnish assets and subsidiaries and gone through several mergers and re-structurings over the last three years. While the Management is confident that integration will proceed smoothly, certain unforeseen difficulties cannot be excluded which may have a short-term effect on the results of the operations.

The share and assets purchase agreement related to such M&A transactions have contained customary sets of warranties and representations, for which the sellers in the respective transactions agreed to be liable. Should any breach of warranties and representations become apparent by the Group, the Group may be claimed damages by the counterparties of such transactions. At the same time, should any breach of warranties and representations become apparent by the counterparties, the Group may incur damages and may have to go through litigation or arbitration proceedings to claim compensation for the damages. Such disputes may have an adverse effect on the Group's financial position.

DEPENDENCY ON KEY PERSONNEL

Much of the success of the Group in the Baltic and Finnish markets is owing to the outstanding internal management capability developed over the years. The management personnel of the Company and the management of the local subsidiaries is comprised of experienced and motivated professionals, many of whom have dedicated substantial parts of their professional careers to the Group. A departure of any key manager, in addition to potentially benefiting the competitors of the Group, would also have the effect of inflicting limited but noticeable damage on the quality of management and motivation. Hiring equivalent management personnel would entail inevitable costs and would not necessarily be immediately possible.

STRINGENT COVENANTS IN FINANCING AGREEMENTS

Several Group entities have entered into financial arrangements (loans, leasing, overdraft, factoring) with various financial institutions. Such financing agreements subject the Group to rather stringent covenants, restrictions and obligations (among other things, further financing, payment of dividends, changes in the Group' corporate structure or the nature of business, etc requires the consent of the financial institutions). In case of default, the financial institutions may unilaterally change the interest rates, claim contractual penalty or immediate repayment.

Compliance with some of the financial covenants may be a matter of interpretation, which is for there is a risk that the Group may be at default with some of financing agreements according to the creditor's judgements at times. At the same time, most of the financing agreements contain cross-default provisions. In general, cross-default provision is a provision in a loan agreement that puts a borrower or any related party to it in default if the borrower defaults on another obligation arising from the same or other loan or financing agreement. The exact content of cross-default provisions may be different in different agreements. Such cross-default clauses expose the Group to default risks on performance under other agreements with the financial institutions in question.

Failure to comply with the financing agreements (for instance if immediate repayment is demanded) could result in the enforcement of securities given by the Group, including the mortgages on the immovables owned by the Group or the commercial pledges on the assets of the Group.

DEPENDENCY ON THE CASH FLOWS FROM SUBSIDIARIES

The Company is a holding company conducting its operations through its subsidiaries. The Company itself does not own significant assets other than the investment into the subsidiaries. Therefore, in order to be able to pay dividends to its shareholders and meet its own obligations, the Company is dependent on the receipt of dividends from its subsidiaries. According to Estonian law, a company may only pay dividends or make other distributions, if its current profits and retained earnings are sufficient for such distribution. Hence, the Group's financial position is dependent on the subsidiaries' ability to pay dividends.

INTEREST RATES

The interest rates of most of the loans taken by the Group entities are based on the EURIBOR base rate which is determined as of the quotation date occurring each 6 months from the date of the relevant loan agreement. Therefore, increases in the European Central Bank interest rates (and, consequently, increases of the EURIBOR base rate) will lead to a corresponding increase in the financial costs of the Group. However, such increases are not likely to have a significant effect on the overall results of operations.

FOREIGN CURRENCY FLUCTUATIONS

The Group has exposure to fluctuations in currency exchange rates. The Group's consolidated reporting currency is Estonian kroon, but part of its revenues is earned in euros, Latvian lats, Lithuanian litas, Swedish krona and Russian roubles. Therefore, significant changes in the movements of currency exchange rates could have a significant adverse effect in the results of operations and the financial position of the Group. In the Management's view, in the light of the current economic situation, the currency risk is mostly noticeable with respect to the Latvian lats.

RISKS RELATED TO OPERATIONS IN FOREIGN MARKETS

LOCAL CONNECTIONS TAKE TIME TO DEVELOP

The Group has plans to continue the expansion to new markets and market segments. New markets in the region are to a significant extent based on the established reputation and personal relations between the various market participants, which may pose challenges to the Group's expansion plans. Moreover, conducting international business involves numerous risks, such as the need to adapt a large number of different laws and regulations, as well as business cultures, foreign exchange fluctuations and general difficulties in operating in a new market such as enforcing contracts. However, the Management expects such risks to be lowered over time, as the local management becomes more accustomed to the local market and as the Group hires more local professionals to assist in everyday operations.

LACK OF RELIABLE MARKET INFORMATION

The expansion into the Russian market is somewhat affected by the lack of reliable information on the condition of the markets. Such information often needs to be collected from unverifiable or unreliable sources or through own research. Strategic management decisions in relation to such markets may therefore have to be made in the absence of adequate data which may from time to time prove essential.

SPECIFIC RUSSIAN MARKET RELATED RISKS

The political situation in Russia since early 1990-s has been very unstable with frequent conflicts between the president and the parliament. That has negatively affected the business and investment climate. Therefore, investments in Russia are more exposed to political risk compared to countries with developed business and investment climate , i.e., risk related to possible changes in government policies or priorities (war, nationalisation, confiscation, introduction of restrictions or embargo, thus unforeseeable consequences in the changes in political direction) that could result in losses or decrease in profits. Investments to Russia are also exposed to the currency risk referred to above. Further, instability of economic environment and increase of the prices of raw materials may affect the Group's operations in the Russian market.

INDUSTRY-SPECIFIC RISKS

COMPETITIVE MARKETS

The food industry in general is characterised by highly competitive market structures, accommodating an ample number of market players, including small niche producers as well as large enterprises, in most segments.

The fish and fish processing industry depends, on the one hand, on the availability of fresh fish at competitive prices, and one the other hand, on the sales channels, which are made up mostly of major retail chains. Competition for both, favourable input supplies and distribution channels is high in the Group's main markets for fish and fish products. While the Group enjoys the advantage of the established reputation of a reliable and trusted co-operation partner as compared with potential new entrants, there are nevertheless no safeguards against the price wars by existing competitors or against potential competition, which could shake the Group's competitive position.

At the same time, the Group's frozen foods business line faces competition not only by other suppliers and distributors of frozen foods, but also by the providers of fresh and chilled products (vegetables, meat, ready-made meals, etc). While the entry into the market for distribution of frozen foods entails significant sunk costs, the entry costs are not that significant for existing food sector companies, already having necessary equipment (e.g. meat processors), who therefore exert potential competition to the Group.

The ice cream markets are competitive in all of the Group's main geographic markets and accommodate strong competitors for the Group.

It should be also noted that private label brands operated by large retail chains have emerged over the past decade and the private label brands continue have an increasing market share in several food segments. Such brands exert competition to producers and distributors of branded products.

Hence, the Group faces the constant challenge to cope with the competitive environment in all of its main markets. Even though the Group has been rather successful in maintaining and strengthening its position in these conditions over the last years, the Group cannot guarantee to investors that it will be able to compete successfully in the future against existing or potential competitors in all markets. Increased competition may force the Group to invest larger resources to further brand building and sales supporting activities, which may have effect also on revenues in short-mid-term perspective.

DEMAND FOR GROUP'S PRODUCTS

Due to the intense competition in all relevant markets, the success of any market participants is highly dependent on efficient marketing policy, which should ensure continuous demand for their products through maximum consumer satisfaction both in terms of product quality and emotions related to the consumption of the products. This is particularly pertinent as concerns the ice cream and frozen foods business line in the Baltic markets, where the brand loyalty of consumers is highly dependent on innovations, advertising campaigns, distribution and sales efforts. Therefore, appropriate branding and pricing, right timing of discounts and campaigns are of utmost strategic importance to all companies active in the industry. Errors in assessing the consumers' behaviour may adversely affect the demand for products and thus have a negative effect on sales. The Group has a strong and experienced marketing and sales team to cope with this risk, but there are no guarantees against possible setbacks.

COST OF RAW MATERIALS

The prices of most of the products necessary for the production of some Group's products (in particular ice cream) depend on the worldwide market prices. Therefore, production costs vary depending on the worldwide price levels of input (e.g. prices of milk powders, cream, butter, sugar, etc), whereas the worldwide price levels of input may rise faster than the prices of end-products in local markets, or than what the local consumers are willing to pay. Therefore, the margins available for the market participants may shrink. This would have adverse effect on the Group's profits.

INSTABILITY OF FISH SUPPLIES

The market for fresh fish is a commodities market, where sales occur mainly through trading. Therefore, written framework agreements with major suppliers are rare and sales are done mainly on order-by order basis. In such conditions, the supply prices of the raw materials procured from third party suppliers may fluctuate. There is a risk that the price of input could increase faster than the prices of end products for retailers, which are agreed for certain assortment for a certain time period. Therefore, the margins may fluctuate significantly within the fish and fish products business line. The lack of written framework agreements entails also the quality and quantity risks, as the deliveries do not always comply with the needs of the fish wholesalers or processors. The risks related to price and deliveries are, however, decreased to some extent by the vertical integration of the Group – having its own fish breeding operations helps to secure the availability of input even, under rough market conditions.

LOSS OF FROZEN FOOD SUPPLIERS

The Group acts as a distributor of several well recognised frozen food brands (such as "Aviko", "Hortex", "Findus", "Apetit", "Esva", "Ardo", "Vetrija", "Greens", "Saarioinen", "Felix"). Traditionally for this sector, the Group does not have long-term written agreements with such suppliers. Therefore, the suppliers could stop the supplies to the Group and start distributing their products on their own or through some of the Group's competitors. The same risk applies equally to the competitors of the Group. Even though the revenues earned from the sales of each single supplier are not material in the Group's total revenues, the loss of several of such suppliers could negatively affect the Group's revenue. Such risk is alleviated by the diversified product portfolio of the Group in general, as well as within the Group's frozen food business line. Moreover, the Group has also developed its own frozen foods brands (such as "Maahärra", "Natali", "Bueno!" and "Polar Fish"), which have earned consumers' trust and procure significant revenues for the Group's frozen food business line.

DEPENDENCE ON MAJOR CLIENTS

Most of the major clients of the Group in the Baltic markets are large retail chains that hold rather strong market positions and are therefore able to dictate the terms and conditions to their suppliers to a great extent. Therefore, the agreements with such clients contain unfavourable clauses (such as generous discounts, harsh contractual penalties, etc); however, it is the standard practice in the market. At the same time, the top ten clients of the Group's ice cream and frozen foods business line make up nearly 50% of the Group's respective business lines' revenues, which is for the loss the major clients or reduction of shelf space dedicated to the Group's products in the major retail chains, could adversely impact the Group's revenues gained from respective business lines.

As concerns the Finnish fish and fish products market, the Group has currently six major clients, whose sales make up more than 90% of the Group's revenues gained from the Finnish fish and fish products market. Therefore, the decisions of such clients with respect to arranging campaigns involving the Group's products as well as the shelf space afforded to the Group's products have significant impact on the Group's revenues gained from the Finnish markets. As a result, such major clients have strong bargaining power vis-à-vis the Group to dictate the terms, whereas the Group has limited opportunities to resolve over product campaigns and introduce new products.

The risks related to the dependence on major clients apply equally to the Group's competitors. From the perspective of the Group, such risks are somewhat alleviated by the strength of several of the Group's brands, which have become so called "must have products" for the major retailers. Furthermore, the Group's policy to supply an increasing number of HoReCa segment clients serves to diversify the risks related to clients.

MARKET POSITION

The Group could be regarded to have a strong market position with respect to some product segments in some geographic markets. This could set some limits to the use of certain sales and marketing measures, which is for the Group pays increased attention to the compliance with competition law rules. However, competition law rules are applicable to all enterprises and hence also set similar limits to the Group's competitors, in particular in market segments, where the competitors hold dominant position.

SEASONALITY

The revenues gained from the sales of ice cream are subject to seasonal variations, especially in the Baltic markets. The revenues from sales of ice cream are the highest during the second and third quarter (in particular during summer months), while the sales are slowing down during the fourth and first quarters (especially in Lithuania). At the same, the sales of frozen food decrease during the harvesting period at the end of summer and several months thereafter, when fresh vegetables and fruits are available, but peak again from January to April. However, as the seasonal fluctuations in the sales of ice cream and frozen food occur at different times, the adverse effect for the Group is alleviated, because the Group can optimize its logistic operations on account of one business line at the low season of the other. The Management expects these seasonal fluctuations to continue affecting the Group's results in the future. Accordingly, the results of operations with respect to specific business lines in any period should not be considered indicative of the results to be expected for future periods.

PUBLIC RELATIONS

The food industry affects everybody and is therefore impacted by emotionally driven trends. Such trends are related to public opinion with respect to certain products or components thereof, which are associated with health, diet or other such concerns. Such trends could hamper the reputation and therefore decrease significantly the sales of the products affected by the trend. In most cases, the public concerns may be scientifically unfounded and arise out of statements made by public figures or magazines. Therefore, it is difficult to predict or take precautions against such trends. The Group has a strong public relations (PR) team and established co-operation partners to be able to cope with such measures. However, should such trends affect some of the Group's business line, these could nevertheless have adverse effects for the Group's revenues.

REGULATORY CHANGES

Food industry in general is affected by the EU and national sanitary and environmental regulations. Moreover, the fish and fish processing industry is subject to EU and national fisheries' regulations. The EU Common Fisheries Policy (CPT) has set up rules for total allowable catches, limitation of fishing effort, technical measures (rules in relation to fishing gears and minimum landing sizes), and imposes obligations to record and report catches and landings. The CPT includes several measures to limit the environmental impact of fishing. In 2008, the European Commission launched a review of the CPT. As a result, new quotas or limitations to fishing operations or more stringent environmental regulations may be introduced on EU or national level, which may adversely impact the operations of the companies involved in the fish and fish processing industry, as they have to obtain additional licenses or permits or make investments into their existing facilities or equipment. At the same time, such regulations could also increase the cost of raw material for the fish processing industry. This may create obstacles to the further growth of the Group's fish and fish proceeding business line and to the expansion to the new geographic markets. However, it should be borne in mind that Group's competitors would face the same challenges.

Possible changes in the agricultural regulations and sanitary standards could also incur the need for additional investments for companies involved in frozen food and ice cream business and increase the cost of food products used as input for such business lines. Again, such regulations would affect equally the Group and its competitors.

CHANGES IN THE CURRENT LICENSES

Some of the environmental licenses and permits granted to the Company's fish breeding and transfer operations have expired or will expire in the near future. Even though the relevant Group entities have applied for renewal of the permits and licences, the processes are time-consuming and there are no guarantees the relevant permits and licenses will be renewed under the same conditions. As a result, the availability of input products from the Group's own entities may decrease and the Group may have to resort to the deliveries of third persons to a greater extent than today. This could increase the transactions costs and reduce the margins for the Group and hence, have an adverse effect on the profitability of the Group's fishing operations. However, such risk is not inherent to the Group, but the same risk applies also to Group's competitors.

ENVIRONMENTAL RISKS

Under environmental laws, all operators, as well as real estate owners may be liable for costs for examination and decontamination of contaminated soil, water or buildings according to the "Polluter Pays Principle". Even though the Management is not aware that any of the Group entities has contributed to pollution of soil, building or water, such risks cannot be fully excluded, as the Group operates facilities, which may possibly have hazardous effects to environment. Should it become apparent that the Group's operations have contributed causing pollution, the Group may have to compensate the damages. This could have adverse effect on the Group's business, financial conditions or results of operations, as well as on the Group's reputation.

EPIDEMIC DISEASES

Food industry in general is affected by the occasional spread of epidemic diseases as has been demonstrated by the spread of bovine spongiform encephalopathy (commonly known as mad-cow disease), avian influenza (commonly bird flu) or H1N1 influenza (commonly known as swine flu). Such epidemic diseases affect first and foremost the agricultural sector, but as a result, may have the effect of increasing input prices for frozen food and ice cream business. However, the diseases could also affect the fishing industries. The risks related to epidemic diseases are not inherent to the Group, but apply to all companies active in the food industry.

TERMS AND CONDITIONS OF THE RETAIL OFFERING

CONDITIONS

RETAIL OFFERING AND INSTITUTIONAL OFFERING

In the course of the Offering, ordinary shares of the Company (*"Shares"*) are being offered to Estonian and international institutional investors (*"Institutional Offering"*) and to the general public and institutions in Estonia, including the employees and members of the Supervisory Board and the Management Board of the Company and its subsidiaries (*"Retail Offering"* and, together with the Institutional Offering, *"Offering"*). The Offering comprises up to 14,500,000 Shares of the Company (*"Offer Shares"*) and will involve an issue of the corresponding amount of new ordinary Shares by the Company (*"New Shares"*).

In order to conduct the Offering, the General Meeting of shareholders of the Company has passed on 21 April 2010 a resolution on conditional issue of the New Shares. Such conditional issue of the New Shares is expected to be registered in the Estonian Commercial Register on or about 29 April 2010. The above-mentioned resolution of the General Meeting of shareholders of the Company grants the Management of the Company the right to issue the New Shares. With the said resolution, the the General Meeting of shareholders has waived the pre-emptive right of the shareholders to subscribe for the New Shares in order to carry out the Offering and extend the shareholder base of the Company.

The division of Offer Shares between the Institutional Offering and the Retail Offering has not been predetermined. The number of Offer Shares included in the Institutional Offering and in the Retail Offering will be decided by the Company in consultation with the Global Lead Manager. This decision will be taken in conjunction with the allocation process, which will take place after the expiry of the Offer Period. The total amount of Offer Shares (and, correspondingly, the amount of New Shares to be issued by the Company) may decrease in case any part of the Offering is cancelled – see *"Terms and Conditions of the Offering - Cancellation of the Offering"*. When deciding the division of Offer Shares between the Institutional Offering and the Retail Offering, the Company will consider mainly (i) the overall demand for the Offer Shares, (ii) the demand for the Offer Shares in the Retail Offering and (iii) the variance in the size of orders in the Retail Offering and the distribution of orders of different sizes in the Retail Offering. When deciding such division, the Company will be aiming to determine a proportion between the Institutional Offering and the Retail Offering which (i) gives the Company a wide shareholder base and (ii) can be expected to contribute to a stable and favourable development of the price of its Shares in the aftermarket. The Company expects to announce the Offer Price and the results of the allocation process, including the division of Offer Shares between the Institutional Offering and the Retail Offering, no later than on 3 May 2010 through the NASDAQ OMX Tallinn Stock Exchange and no later than on 3 May 2010 in daily newspapers circulated throughout the territory of Estonia.

The existing shareholders of the Company and the members of its Management, Supervisory or administrative bodies may participate in the Offering subject to the conditions of the Offering as set forth herein. The Company is not aware whether or not such persons intend to participate in the Offering. To the extent that the Company is informed, none of such persons intend to subscribe for more than five per cent of the Offering.

RIGHT TO PARTICIPATE IN THE RETAIL OFFERING

The Retail Offering is directed to all natural and legal persons in Estonia. For the purposes of these terms, a natural person will be deemed to be "in Estonia" if such person has a securities account with the ECRS and such person's address recorded in ECRS records in connection with such person's securities account is located in Estonia. A legal person will be deemed to be "in Estonia" if it has a securities account with ECRS and its registered address recorded in ECRS records in connection with its securities account is located in Estonia and/or its registration code recorded in ECRS records is the registration code of the Estonian Commercial Register.

OFFER PRICE

The Company will decide the exact Offer Price in consultation with the Global Lead Manager after the completion of the book-building process directed to the institutional investors in the course of the Institutional Offering. The Offer Price will be based on the tenders for the Offer Shares obtained from institutional investors, also taking into account the total demand in the Institutional Offering, the price sensitivity of such demand and the quality of the demand. The Offer Price will be in the Offer Price Range of EEK 12.80 – EEK 16.20. The above price range may be amended until the end of the Offer Period on the basis of information obtained in the book-building process in accordance with local legislation and notification requirements (see *"Terms and Conditions of the Retail Offering - Procedure for Changing the Offer Price Range"*). The Offer Price will be the same in the Institutional Offering and in the Retail Offering, with the exception of preferential allocation to management and employees, for further details please see "*Preferential Allocation to Management and Employees*".

OFFER PERIOD

Investors may submit subscription undertakings for Offer Shares (each a *"Subscription Undertaking"*) during the Offer Period, which commences on 22 April 2010 at 9.00 a.m. and terminates on 29 April 2010 at 17.00 p.m. (the *"Offer Period"*).

SUBSCRIPTION UNDERTAKINGS

The Company invites investors to submit Subscription Undertakings in accordance with these terms and conditions and the following procedure. Subscription Undertakings may be submitted only during the Offer Period. An investor participating in the Retail Offering may apply to subscribe for the Offer Shares only at the upper limit of the price range, i.e at EEK 16.20 (EUR 1.035) per Offer Share (*"Subscription Price"*). Multiple Subscription Undertakings by one investor, if submitted, shall be merged for the purposes of allocation. All investors participating in the Retail Offering can submit Subscription Undertakings denominated only in Estonian kroons (EEK). An investor bears all costs and fees charged by the Custodian in connections with the submission of the Subscription Undertaking.

Each investor must ensure that the information contained in the Subscription Undertaking submitted by such investor is correct, complete and legible. Incomplete, incorrect, unclear or illegible Subscription Undertakings may be rejected at the sole discretion of the Company. For detailed description on the procedure for the submission of Subscription Undertakings, please see *"Terms and Conditions of the Retail Offering – Instructions to Investors"*.

CANCELLATION OF THE OFFERING

The Company has reserved the right to cancel the Offering in part or in its entirety at any time until the Company has received full payment for all Offer Shares, if the Management of the Company fails to decide the issue of the New Shares prior to settlement in accordance with the resolution of the General Meeting of shareholders on the conditional increase of share capital of the Company. Any cancellation of the Offering or any part thereof will be announced through the NASDAQ OMX Tallinn Stock Exchange. All rights and obligations of the parties in relation to the cancelled part of the Offering will be considered terminated at the moment when such announcement is made public.

ADDITIONAL INFORMATION

For information on the ownership of Shares by the members of the management bodies and employees of the Company and on the participation of such persons in the Offering, please see *"Plan of Distribution"* and *"Management – Share Ownership"*.

APPLICABLE LAW AND DISPUTE RESOLUTION

The Offering shall be governed by the laws of Estonia. Any disputes arising in connection with the Offering shall be settled by Harju County Court in Estonia.

INSTRUCTIONS TO INVESTORS

SUBMISSION OF SUBSCRIPTION UNDERTAKINGS

In order to subscribe for the Offer Shares, an investor must have a securities account with the ECRS. Such securities account may be opened through any custodian of the ECRS. As of the date hereof, the following banks and investment firms operate as custodians of the ECRS:

- AS Swedbank;
- AS SEB Pank;
- Nordea Bank Finland Plc Estonian branch;
- Danske Bank A/S Estonian branch;
- AS LHV Pank;
- AS Eesti Krediidipank;
- Marfin Pank Eesti AS;
- Svenska Handelsbanken AB (publ), Branch Operations in Finland;
- Tallinna Äripanga AS; and
- AS Parex banka (through its Estonian branch).

An investor wishing to subscribe for the Offer Shares should contact the custodian that operates such investor's ECRS securities account and submit a Subscription Undertaking for the purchase of Offer Shares in the form set out below. The Subscription Undertaking must be submitted to the custodian by the end of the Offer Period. The investor may use any method that such investor's custodian offers to submit the Subscription Undertaking (e.g., physically through a branch of the custodian, over the Internet or by other means). The Subscription Undertaking must include the following information:

OWNER OF THE SECURITIES ACCOUNT:	name of the investor
SECURITIES ACCOUNT:	number of the investor's securities account
CUSTODIAN:	name of the investor's custodian

SECURITY:	AS Premia Foods additional share
ISIN CODE:	EE3803101031
AMOUNT OF SECURITIES:	the number of Offer Shares for which the investor wishes to subscribe
PRICE (PER SHARE):	EEK 16.20
TRANSACTION AMOUNT:	the number of Offer Shares for which the investor wishes to subscribe multiplied by the Offer Price
COUNTERPARTY:	AS Premia Foods
SECURITIES ACCOUNT OF COUNTERPARTY:	99101564896
CUSTODIAN OF THE COUNTERPARTY:	AS Swedbank
VALUE DATE OF THE TRANSACTION:	4 May 2010
TYPE OF TRANSACTION:	"purchase"
TYPE OF SETTLEMENT:	"delivery versus payment"

An investor may submit a Subscription Undertaking through a nominee account only if such investor authorizes the owner of the nominee account to disclose the investor's identity to the registrar of ECRS in writing. Subscription Undertakings submitted through nominee accounts will be taken into consideration in the allocation only if the owner of the nominee account has actually disclosed the identity of the investor to the registrar of ECRS in writing. Among other information it is also requested to disclose either a permanent address and personal identification code in case of the natural person or a registration address for the legal entity. An investor may submit a Subscription Undertaking either personally or through a representative whom the investor has authorized (in the form required by law) to submit the Subscription Undertaking.

A Subscription Undertaking is deemed submitted from the moment the registrar of the ECRS receives a duly completed transaction instruction from the custodian of the respective investor. The Subscription Undertaking can be cancelled or amended as described under Section *"Amendment or Cancellation of Subscription Undertakings"*. An investor will be liable for the payment of all fees charged by the custodian in connection with the submission, cancellation or amendment of the Subscription Undertaking.

An investor must ensure that all information contained in the Subscription Undertaking is correct, complete and legible. The Company reserves the right to reject any Subscription Undertakings which are incomplete, incorrect, unclear or illegible, or which have not been completed and submitted during the Offer Period in accordance with all requirements set out in these terms and conditions.

By submitting a Subscription Undertaking every investor:

- accepts the terms and conditions of the Offering set out under this Section and elsewhere in this Prospectus and agrees with the Company that such terms will be applicable to the investor's acquisition of any Offer Shares;
- acknowledges that the Retail Offering does not constitute an offer of the Offer Shares by the Company in legal terms or otherwise and that the submission of a Subscription Undertaking does not itself entitle the investor to acquire the Shares nor result in a contract for the sale of Offer Shares between the Company and the investor;
- accepts that the number of Shares indicated by the investor in the Subscription Undertaking will be regarded as the maximum number of Shares which the investor wishes to acquire (the *"Maximum Amount"*) and that the investor may receive less (but not more) Offer Shares than the Maximum Amount (see *"Terms and Conditions of the Offering - Distribution and Allocation"*);
- undertakes to acquire and pay for any number of Offer Shares allocated to it/him/her in accordance with these terms and conditions;
- authorizes and instructs its/his/her custodian to forward the registered transaction instruction to the registrar of the ECRS;
- authorizes the custodian and the registrar of the ECRS to amend the information contained in the investor's transaction instruction, including (a) to specify the value date of the transaction and (b) to specify (i) the number of Shares to be purchased by the investor, (ii) the Offer Price (as determined after the Offer Period) as the price per share and (iii) the total amount of the transaction found by multiplying the Offer Price by the number of Offer Shares allocated to the relevant investor.

AMENDMENT OR CANCELLATION OF SUBSCRIPTION UNDERTAKINGS

An investor may amend or cancel a Subscription Undertaking at any time before the expiry of the Offer Period. To do so, the investor must contact its/his/her custodian through whom the Subscription Undertaking in question has been made, and carry out the procedures required by the custodian for amending or cancelling a Subscription Undertaking (such procedures may differ between different custodians). All fees payable in connection with an amendment and/or cancellation of a Subscription Undertaking will be borne by the investor.

PAYMENT

By submitting a Subscription Undertaking, an investor authorises and instructs the institution operating the investor's cash account connected to its/his/her securities account (which may or may not also be the investor's custodian) to immediately block the whole transaction amount on the investor's cash account until the settlement is completed or funds are released in accordance with these terms and conditions. The transaction amount to be blocked will be equal to the maximum Offer Price multiplied by the Maximum Amount. An investor may submit a Subscription Undertaking only when there are sufficient funds on the cash account connected to its/his/her ECRS securities account or its/his/her securities account to cover the whole transaction amount.

DISTRIBUTION AND ALLOCATION

The Company together with the Global Lead Manager will decide on the allocation after determining the Offer Price after the expiry of the Offer Period, and no later than on 3 May 2010. The Offer Shares will be allocated to investors participating in the Offering by the following steps:

- **Division of tranche size for the Retail Offering and the Institutional Offering.** The division of the Offer Shares between the Institutional Offering and the Retail Offering has not been predetermined. The Company, together with the Global Lead Manager, will decide on exact tranche sizes of the Retail Offering and Institutional Offering (percentage wise).

- **Allocation of the Offer Shares to the Institutional Investors.** The Company, together with the Global Lead Manager, will decide on the allocation to the Institutional Investors on discretionary basis after the expiry of the Offer Period.

- **Allocation of the Offer Shares to the Retail Investors.** The Company, together with the Global Lead Manager, will determine allocation percentages applied to the Retail Offering in the following method:

  a. The Offer Shares will be allocated to investors participating in the Retail Offering by using the stepped allocation methodology. Under the stepped allocation methodology, the Company, together with the Global Lead Manager, will determine one or more allocation bands (in number of shares) and the allocation percentages applied in each band. This determination will take place as part of the allocation procedure after the expiry of the Offer Period. For example, assuming three allocation bands, the part of each Subscription Undertaking which is within allocation band A (up to and including X Shares) will be allocated α per cent, whilst that part of each Subscription Undertaking which is within allocation band B (more than X Shares up to and including Y Shares) will be allocated β per cent and the part of each Subscription Undertaking which is within allocation band C (more than Y Shares) will be allocated γ per cent.

  b. The principal criteria to be used in the determination of the bands and the allocation percentages are as follows: (i) the size of the Retail Offering (ii) the total demand for the Shares in the Retail Offering (iii) the size of Subscription Undertakings in the Retail Offering and (iv) the number of investors who have submitted Subscription Undertakings in the Retail Offering. Each investor will be allocated an integer number of Offer Shares without fractions. If necessary, the number of allocated Offer Shares will be rounded down to the closest integer number of Offer Shares. Any remaining Offer Shares which cannot be allocated using the stepped allocation process described above will be allocated to investors at random.

  c. An investor may obtain information about the number of the Offer Shares allocated to it/him/her after the settlement has been completed by submitting an inquiry to the Broker operating its/his/her securities account in accordance with the terms and conditions applied by that Broker.

ANNOUNCEMENT OF THE ALLOCATION RESULTS

The Company expects to announce the Offer Price and the results of the allocation process, including the division of the Offer Shares between the Institutional Offering and the Retail Offering, through NASDAQ OMX Tallinn Stock Exchange and a daily newspaper circulated respectively throughout the territory of Estonia no later than on 3 May 2010.

PREFERENTIAL ALLOCATION TO MANAGEMENT AND EMPLOYEES

All employees of the Company and any of its subsidiaries that choose to participate in the Retail Offering will be fully allocated the Offer Shares up to the value of EUR 1,000 (EEK 15,646.6) per person, while same stepped allocation methodology as applicable to all other investors will be used for the allocation of employee orders in the amount exceeding the Offer Shares value mentioned above. For the purposes of the above an employee means a person who as at 8.00 a.m. on 22 April 2010 has a valid employment contract or equivalent contract for an unspecified term with the Company or any of its subsidiaries or is a member of the Supervisory Board or the Management Board of the Company or its subsidiary. The preferential allocation to the employees and members of management of the Company will be conducted with 10% discount on the Offer Price. These shares are subject to one month lock-up period from the date of the listing of shares on NASDAQ OMX Tallinn Stock Exchange. For the avoidance of doubt, the preferential allocation to Management and employees does not constitute public offering of securities in any other country than Estonia even if some employees or members of the Management are in other countries.

SETTLEMENT AND TRADING

The Offer Shares allocated to investors will be transferred to their securities accounts on or about 4 May 2010 through the "delivery versus payment" method simultaneously with the transfer of payment for such Offer Shares. In no event will the date of settlement be later than 5 May 2010.

If an investor has submitted several Subscription Undertakings through several securities accounts belonging to him, the Offer Shares allocated to such investor are transferred to such investor's securities accounts proportionally with the respective securities amounts set out in such investor's Subscription Undertakings. The number of Offer Shares to be transferred to each securities account may be rounded up or down, as necessary, in order to ensure that a whole number of Offer Shares is transferred to each securities account. If the transfer cannot be completed due to the lack of sufficient funds on the investor's cash account, the Subscription Undertaking of the respective investor will be rejected and the investor will lose all rights to the Offer Shares allocated to such investor.

Trading in Shares is expected to commence on the Tallinn Stock Exchange on or about 5 May 2010.

RETURN OF FUNDS

If the Offer Price is lower than the Subscription Price, if the Offering is revoked, if the investor's Subscription Undertaking is rejected or if the allocation deviates from the amount of Offer Shares applied for, the funds blocked on the investor's cash account, or a part thereof (the amount in excess of payment for the allocated Offer Shares) will be released by the respective custodian not later than on 5 May 2010. Company shall not be liable for the release of the respective amount and for the payment of interest on the released amount for the time it was blocked.

REASONS FOR THE OFFERING

The primary purpose of the Offering is to strengthen the equity position of the Company and to further support the Group's growth strategy and expansion of its business in its core markets in the Baltics, Scandinavia and North-West Russia. For more information on the current plans with respect to the proceeds of the Offering, please refer to the Section entitled *"Use of Proceeds"*.

The Offering is expected to broaden the shareholder base with Estonian retail and international institutional investors and create the necessary conditions for the listing of Shares on the Main List of the NASDAQ OMX Tallinn Stock Exchange.

USE OF PROCEEDS

The aggregate net proceeds to Company from the issuance of the New Shares in the Offering, after deduction of the fees and expenses payable by us are estimated to reach approximately EEK 201.9 million (approximately EUR 12.8 million), based on the midpoint of the Offer Price Range. The fees and expenses of the Offering are estimated to reach approximately EEK 9.4 million (approximately EUR 0.6 million), including any applicable taxes. See *"Plan of Distribution"* for more information.

The aggregate net proceeds to be received by the Company from the Offering are expected to be used partially for the additional investments into expansion of operations in St. Petersburg region in Russia. Namely, as the date of this Prospectus, OÜ TCS Invest, 100% subsidiary of PTKH, and ZAO Khladokombinat No 1 have executed a preliminary agreement on finalising the full acquisition of the second largest ice cream producer in St. Petersburg OOO Khladokombinat No 1. In 2008, initial step was taken to acquire the referred ice cream producer Khladokombinat No 1 – the Group acquired trademarks of ZAO Khladokombinat No 1. With the currently contemplated transaction between OÜ TCS Invest and ZAO Khladokombinat No 1, full separation of the current real estate and ice cream production operations of ZAO Khladokombinat No 1 will be finalised. As a result of the contemplated transaction, the real estate operations of ZAO Khladokombinat No 1 will remain with the current financial partner of the Group engaged in the acquisition of ZAO Khladokombinat No 1 and OOO Khladokombinat No 1, newly established company focusing only on ice cream producing operations, will become fully owned subsidiary of the Group. The value of the final transaction for acquiring 100% ownership in OOO Khladokombinat No 1 is approximately EUR 5.5 million (approximately EEK 86 million); nevertheless, this includes also financing the operations of OOO Khladokombinat No 1 and investments into working capital of the latter. Currently executed preliminary agreement between OÜ TCS Invest, 100% subsidiary of PTKH, and ZAO Khladokombinat No 1 is conditional and is expected to be finalised in the end of April 2010.

A part of the proceeds will be used to repay approximately EUR 2.2 million (approximately EEK 34.4 million) of the Group's outstanding debt to commercial banks and approximately EUR 4.3 million (approximately EEK 67.2 million) shareholders loans and buy-out of certain minority shareholders of the Group's entities.

Finally, a part of the proceeds will serve as reserve for the purposes of further developments.

The listing is seen as an important milestone ensuring the continued growth strategy of the Group, as well as increasing the recognition of the Company's brand among its current and prospective customers.

DIVIDEND POLICY

The Offer Shares will give rights to dividends declared by the Company (if any) for the financial year beginning on 1 January 2009 and for the subsequent financial years. Once the share capital increase relating to the issue of the New Shares has been registered with the Estonian Commercial Register, the New Shares will rank equally with all the outstanding shares of the Company.

So far, the Company has been re-investing most of its earnings in order to maintain the strategy of expansion.

The Company cannot ensure that dividends will be paid in the future, or if dividends will be paid, how much will they amount to. The declaration and payment by the Company of any future dividends and the amount thereof will depend on the Company's results of operations, financial condition, cash requirements, future prospects and other aspects.

It must be noted that PTKH, SMK and HK are parties to financing arrangements, terms and conditions of which restrict payment of dividends; nevertheless, such restrictions are not applicable in respect of payment of dividends by the Company.

CAPITALIZATION

The volume of the consolidated balance sheet of the Company as of the end of **31 January 2010** was EEK 959.6 million (EUR 61.3 million). Of the above, current assets formed 38% or EEK 366.1 million (EUR 23.4 million) and fixed assets 62% or EEK 593.5 million (EUR 37.9 million).

The obligations of the Group as of 31 January 2010 were EEK 535.6 million (EUR 34.2 million), resulting in total net assets of EEK 424 million (EUR 27.1 million). The obligations of the Group captured deferred income from EU structural funds in amount of EEK 25.8 million (EUR 1.6 million)

The capitalization of the Company as of 31 January 2010 is illustrated by the following table (actual capitalization and capitalization adjusted for the results of the Offering).

million EEK	**Actual**	**As adjusted**
Short-term interest bearing liabilities	159.8	76.1
Long-term interest bearing liabilities	144.6	144.6
Shareholders' equity (including minority share)	424.0	624.9
Total capitalization and indebtedness	**728.4**	**845.6**

million EUR	**Actual**	**As adjusted**
Short-term interest bearing liabilities	10.2	4.9
Long-term interest bearing liabilities	9.2	9.2
Shareholders' equity (including minority share)	27.1	39.9
Total capitalization and indebtedness	**46.5**	**54.0**

In the opinion of the Company, the working capital of the Company is sufficient for its present requirements and no external financing is presently required to satisfy the working capital needs.

GENERAL CORPORATE INFORMATION AND SHARES

GENERAL CORPORATE INFORMATION

The business name of the Company is AS Premia Foods. It was registered in the Estonian Commercial Register (held by the Registry Department of the Harju County Court) under register code 11560713 on 23 December 2008. The Company is currently operating under the laws of the Republic of Estonia in the form of a public limited company (in Estonian: *"aktsiaselts"* or *"AS"*) and is established for an indefinite term.

The contact details of the Company are as follows:
AS Premia Foods
Betooni 4, Tallinn 11415, Estonia
Phone: +372 603 3800
Fax: +372 603 3801
E-mail: premia@premia.ee

The principle area of activity of the Company according to its Articles of Association is holding company activities.

ARTICLES OF ASSOCIATION

The Articles of Association of the Company are in accordance with the requirements of the Estonian law. The latest version of the Articles of Association was adopted by a decision of the Extraordinary General Meeting of shareholders on 15 March 2010. The Articles of Association stipulate the following noticeable provisions with respect to the organisation of the Company:

- the financial year of the Company is the calendar year;
- the minimum share capital of the Company is EEK 175,000,000 (EUR 11,184,538) and the maximum share capital of the Company is EEK 700,000,000 (EUR 44,738,154);
- the Company has only one class of Shares;
- the reserve capital of the Company is 1/10 of its issued share capital;
- the Company may issue convertible bonds;
- the shareholders of the Company have the preferential right to subscribe for new Shares when issued unless this right has been excluded according to applicable laws;
- Shares of the Company are freely transferable;
- the Supervisory Board is composed of three to six members who are appointed for a period of five years and the Management Board is composed of one to four members who are appointed for a period of three years.

The Articles of Association do not contain any specific provisions which would have the effect of delaying, deferring or preventing a change of control in the Company.

SHARE CAPITAL AND SHARES

The current registered share capital of the Company is EEK 241,828,600 (approximately EUR 15,455,664). It is divided into 24,182,860 ordinary Shares with the nominal value of EEK 10 each (approximately EUR 0.6). The ISIN code of Shares is EE3100101031.

At foundation, the share capital of the Company was EEK 400,000 (approximately EUR 25,565). On 30 December 2008, the share capital of the Company was increased by EEK 23,782,860 (approximately EUR 1,520,002) to EEK 24,182,860 (approximately EUR 1,545,566), by issuance of 2,378,286 new ordinary shares with the nominal value of EEK 10 (approximately EUR 0.6) per share. The subscription price was of the new shares was EEK 250 (approximately EUR 15.98) per shares, EEK 10 (approximately EUR 0.6) of which was the nominal value and EEK 240 (approximately EUR 15.34) issue premium. The new shares of PF were paid for entirely with in-kind non-monetary contributions, consisting of shares of SMK and KPC. On 15 March 2010, the General Meeting of shareholders of the Company resolved to conduct a bonus issue and increase the share capital of the Company by EEK 217,645,740 (approximately EUR 13,910,098) without making contributions into the share capital using the Company's own equity. The share capital was increased from the issue premium of the Company. After the increase of the share capital the share capital of the Company is EEK 241,828,600 (approximately EUR 15,455,664)that is divided into 24,182,860 ordinary shares of the Company with a nominal value of EEK 10 (approximately EUR 0.6). The share capital has remained unchanged since then.

Subject to the adoption of a relevant resolutions by the General Meeting of shareholders and the Management Board of the Company as described in Section "*Terms and Conditions of the Offering*", the share capital of the Company will be increased again on or about 29 April 2010 by issuing the New Shares. Such issue will comprise of up to 14,500,000 Shares which will be issued to investors in order to carry out the Offering. The preferential right of the shareholders of the Company to subscribe for New Shares has been to be excluded with the above-mentioned resolution of the General Meeting of shareholders. New Shares will be issued against monetary contributions with premium, whereas the issue price of each New Share will be equal to the Offer Price.

The Company does not have any other classes of shares other than ordinary Shares and does not contemplate the issue of any shares of such other classes. Offer Shares are and New Shares will be issued and will exist under the laws of Estonia. All Shares of the Company are registered and kept in book entry form by a securities market infrastructure enterprise AS Eesti Väärtpaberikeskus (located at Tartu mnt 2, Tallinn, 10145), which is the operator of the ECRS. The currency of Shares is Estonian kroons.

All issued Shares have been fully paid and there are no shares that are authorised but not issued. The Company holds currently 162,020 own shares, representing 0.67% of the share capital. No convertible securities are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital. No put or call options are outstanding with respect to or for the benefit of any Group company. There are no legal restrictions on the transferability of Shares of the Company. No public takeover bids were launched in respect of Shares of the Company since its foundation.

In order to change the rights attached to all shares in general (in as much as this is possible under the applicable law), the Articles of Association of the Company need to be amended. The amendment of the Articles of Association normally requires a qualified majority of at least 2/3 of all votes present at the General Meeting of shareholders. If a company has more than one class of shares, changing the rights attached to a particular class of shares requires in addition to the above the consent of at least 2/3 of votes of shareholders that are present at the General Meeting in each class of shares. When rights stemming from a particular class of shares are being amended, a decision of the General Meeting of shareholders needs to be adopted which requires a qualified majority of 4/5 of the votes, and the consent of at least 9/10 of all shareholders who hold shares of the type subject to the amendment. A brief description of the rights attached to Shares of the Company follows below.

DIVIDENDS, REDEMPTIONS AND LIQUIDATION

DIVIDEND RIGHTS

Shares give rights to dividends declared after the transfer of Shares to investors in the course of the Offering. Please note that the Company cannot guarantee that dividends will be declared on a regular basis (see more under *"Dividend Policy"* above). Furthermore, dividends and redemptions of shares may be subject to income taxation – please see *"Taxation"* below. With respect to any dividends declared by the Company, the following general rules apply.

Under the Estonian Commercial Code, a company may only make payments to shareholders from net profit or from undistributed profit earned during previous financial years, from which any losses accrued but not covered in previous financial years have been deducted. The amount of dividends is proposed by the Management Board and is subject to the approval of the General Meeting of shareholders. Before the presentation of the Management Board's profit distribution proposal to the shareholders, it must be approved by the Supervisory Board. Recommendations of the Management Board concerning the payment of dividends in a company listed on the NASDAQ OMX Tallinn Stock Exchange are immediately made public through the stock exchange.

Normally, dividends may be paid on the basis of the approved annual accounts. The Articles of Association of the Company set forth that the Management Board of the Company may pay advance dividends to shareholders after the end of the financial year and before the approval of the annual accounts. Such dividends are paid on the basis of the estimated amount that is available for distribution and may not exceed one half of such amount. Advance dividends may be paid with the consent of the Supervisory Board.

The amount of dividends that is paid to each shareholder is in accordance with the nominal value of Shares of the Company that are in such shareholder's ownership. Dividends are to be paid in cash, or upon the consent of the shareholder in other property.

Dividends of the companies listed on the NASDAQ OMX Tallinn Stock Exchange are paid only to those shareholders (or their nominees) who were entered into the list of shareholders (which is maintained by the ECRS) as of 23.59 on the reference date chosen by the relevant company. This reference date must be at least 10 trading days from the date of the decision of the General Meeting concerning the payment of dividends, and such date must be announced at least 7 trading days in advance.

There are no specific restrictions on the payment of dividends to non-resident shareholders. Such dividends may, however, be subject to withholding taxation in Estonia – please see more under *"Taxation"* below.

Should the Company for any reason fail to pay out a dividend prescribed by a resolution of the General Meeting, the shareholder whose dividend was not paid out may demand the payment thereof during the period of three years from the date of the resolution. After the expiry of such period any unpaid dividends remain with the Company.

REDEMPTION OF SHARES

Under the Estonian Commercial Code, a company may acquire its own shares (or take the same as collateral) if all of the following conditions are met: (i) the redemption occurs within five year after the adoption of a resolution of the General Meeting which specifies the conditions and terms for the redemption of shares and the consideration to be paid for such shares; (ii) the total nominal value of shares redeemed or taken as collateral does not exceed one-tenth of the share capital; and (iii) shares are paid for from assets exceeding the share capital and reserve capital, which may not be paid out to shareholders pursuant to the law or articles of association. These restrictions do not apply if shares are acquired by way of inheritance.

Shares may be acquired without a resolution of the General Meeting on the basis of a resolution of the Supervisory Board if the redemption of shares is necessary to prevent significant damage to the company. In such event, the shareholders must be informed of the circumstances and details surrounding the redemption of shares at the next General Meeting of shareholders.

If more than 1/10 of share capital is redeemed by way of inheritance, the part exceeding the 1/10 must be sold or cancelled within three years from redemption. Shares that are redeemed illegally must be sold or cancelled within one year from redemption.

RIGHTS IN THE EVENT OF LIQUIDATION

In the event of liquidation of the Company, all shareholders are entitled to any surplus assets after the satisfaction of all claims of the creditors of the Company and the depositing of such amounts which were not collected by the creditors. Such remaining assets are distributed among the shareholders according to the nominal values of their shares pursuant to the asset distribution plan prepared by the liquidators; assets are realised and paid out in cash.

The assets of the Company may be distributed after six months from the publication of the notice of liquidation and after two months from day when the final balance sheet and asset distribution plan are presented to the attention of the shareholders, provided that the neither the balance sheet nor the asset distribution plan are contested in court. The court may allow for payments to be made earlier, provided that this would not damage the interests of the creditors.

RIGHTS OF SHAREHOLDERS

RIGHT TO PARTICIPATE IN THE GENERAL MEETING OF SHAREHOLDERS

Purpose of the General Meeting

Shareholders are entitled to take part in the corporate governance of the Company through the General Meeting of shareholders, where they can exercise their powers to decide on certain important corporate matters, such as e.g. amending the Articles of Association, increasing and reducing the share capital, issuing convertible bonds, electing and removing the members of the Supervisory Board and the auditor, approving the annual accounts and the distributions of profit, dissolution, merger, division or transformation of the Company and certain other matters. The General Meeting is the highest governing body of a limited company in Estonia.

Convening the General Meeting

The ordinary General Meeting of shareholders is held once a year pursuant to the procedure and at the time prescribed by the Articles of Association but not later than six months after the end of the financial year. Despite to the fact that according to the Estonian Commercial Code, the ordinary General Meeting of shareholders must be held within 6 months as from the end of a financial year, the Estonian Securities Market Act further specifies that the audited annual accounts of listed and publicly traded companies must be made public within 4 months as from the end of a financial year. In accordance with the Estonian Commercial Code, before the ordinary General Meeting of shareholders is held, Supervisory Board must review the annual accounts and provide the General Meeting of shareholders with a written report on the annual accounts indicating whether Supervisory Board approves the accounts but also providing information on how Supervisory Board has organised and supervised the activities of a company. In practise the referred report is made available along with the notice on calling the General Meeting of shareholders.

Additionally, extraordinary General Meeting may be held on certain conditions: (i) in the event that the net equity of the Company decreases below the legally required minimum level, or (ii) if shareholders representing at least 1/10 of the share capital, the Supervisory Board or the auditor demand that a meeting is convened or (iii) if the meeting is required in the interests of the Company. The Articles of Association of the Company do not include any deviation from the applicable law with respect to when the General Meeting needs to be called.

If the Management Board fails to convene the extraordinary meeting within one month after the receipt of a relevant demand from the shareholders (or the Supervisory Board or the auditor), then the shareholders (or, respectively, the Supervisory Board or the auditor) have the right to convene the General Meeting themselves. Notice of an upcoming General Meeting must be

sent to all shareholders 3 weeks in advance of an ordinary General Meeting and at least one week in advance of an extraordinary General Meeting. As a general rule, the notice must be sent via registered mail to the addresses entered in the share register. Where a company has over 50 shareholders, the notice does not have to be sent but instead it is published in at least one national daily newspaper in Estonia. The notice is also published through the NASDAQ OMX Tallinn Stock Exchange.
When the above requirements for convening a General Meeting are violated, such General Meeting does not have the capacity to adopt resolutions except where all shareholders participate at the General Meeting.

Agenda of the General Meeting

As a rule, the agenda of a General Meeting is determined by the Supervisory Board. However, if the General Meeting is convened by the shareholders or the auditor, the agenda is determined by them. Furthermore, the Management Board or the shareholders whose shares represent at least 1/10 of the share capital may demand the inclusion of a certain issue on the agenda. An issue which is initially not on the agenda of a General Meeting may be included on the agenda upon the consent of at least 9/10 of the shareholders who participate in the General Meeting if their shares represent at least 2/3 of the share capital.

Quorum

A General Meeting of shareholders is capable of passing resolutions if more than 1/2 of the votes represented by shares held by shareholders are present at the General Meeting of shareholders. If the quorum is not met, the Management Board is required to convene a new General Meeting of shareholders not more than three weeks but not less than seven days after the date of the initial General Meeting. There are no quorum requirements for the newly convened General Meetings of shareholders called in such manner.

Voting rights and resolutions

The Company currently has only one class of Shares with nominal value of EEK10 each. Each Share entitles the shareholder to one vote. A shareholder may attend and vote at a General Meeting in person or by proxy. In the case of companies listed on the Tallinn Stock Exchange, only those shareholders are eligible to attend and vote at a General Meeting of shareholders who were on the list of shareholders (which is maintained by the ECRS) as of 8 a.m. on the date chosen by the company. Such date must be made public at least 7 trading days in advance. A shareholder whose shares are registered in the name of a nominee can exercise voting rights if a respective power of attorney has been executed in favour of such shareholder by the holder of the nominee account.

As a rule, resolutions of a General Meeting of shareholders require the approval of the majority of the votes represented at the General Meeting of shareholders. Certain resolutions, such as amending the Articles of Association, increasing or decreasing the share capital and, in certain cases, resolutions relating to a merger or liquidation of the company, require a qualified majority of 2/3 of the votes represented at the General Meeting of shareholders.

RIGHT TO INFORMATION

Pursuant to the Estonian Commercial Code, shareholders have the right to receive information on the activities of a company from the Management Board at the General Meeting. However, the Management Board may refuse to give information if there is a reason to presume that this may cause significant damage to the interests of the company. In the event the Management Board refuses to give information, the shareholders may require the General Meeting to decide on the legality of such refusal or submit a respective claim to the court of law.

RIGHT TO SUBSCRIBE FOR NEW SHARES

Pursuant to the Estonian Commercial Code, existing shareholders of a company have the preferential right to subscribe for new shares of the company in proportion to their existing shareholding. However, where shares need to be issued to a specific person(s), such preferential right can be waived by a resolution of the General Meeting of shareholders by a majority of three-fourths of the votes represented at the General Meeting of shareholders.

OTHER IMPORTANT MATTERS

RESTRICTIONS ON FINANCIAL ASSISTANCE

The Estonian Commercial Code sets forth certain restrictions in respect of financial assistance. As a general rule, a company may not grant loans or provide other financial assistance (such as e.g. giving guarantees or sureties) (i) to shareholders whose shares represent more than 1% of the share capital, (ii) to shareholders of the parent company whose shares represent more than 1% of the share capital of the parent company, (iii) for the purpose of acquiring shares of the company, or (iv) to members of the Management Board, the Supervisory Board or to procurators. Financial assistance may, nevertheless, be provided to such shareholders who belong to the same consolidation group as the company and provided that this does not harm the financial status of the company or the interests of its creditors.

SQUEEZE-OUT RIGHTS

The Estonian Commercial Code allows major shareholder(s) to take over a public limited company. The precondition for such squeeze-out is the acquisition by a person acting individually or in concert with others of at least 90% of the voting rights in the company. The squeeze-out can be decided by the General Meeting of shareholders, if the majority comprising at least 95% of all votes represented by shares is in favour. The amount of compensation for the minority shares which are subject to takeover is to be determined on the basis of the value of shares as at ten days prior to the date on which the notice summoning the General Meeting was sent out. Additionally, tender offers may be carried out in companies listed on the Tallinn Stock Exchange and sometimes major shareholders of a listed company are under the obligation to launch a tender offer (see *"Estonian Securities Market"* for more details). However, the shareholders of a listed company are not obliged to accept a tender offer which is not a squeeze-out within the meaning of the Commercial Code.

DISCLOSURE OF SHAREHOLDINGS

The Company is required to submit a list of shareholders holding over 10% of all shares to the Estonian Commercial Register together with the annual accounts, such list being drawn up as of the date when the annual accounts are approved by the General Meeting of shareholders. See *"Estonian Securities Market"* below for more information on disclosures of shareholdings which are triggered by the listing of Shares on theNASDAQ QMX Tallinn Stock Exchange.

Whenever a person acquires (directly or indirectly, alone or in concert with a third party) 5%, 10%, 20%, 33%, 50% or 66% of all shares issued by one public limited company, such person must notify the public limited company of such acquisition not later than within four trading days.

LISTING ON THE TALLINN STOCK EXCHANGE

At the date hereof, no securities issued by the Company are admitted to trading on any regulated market. The purpose of the Offering, among other things, is the subsequent listing of all the Shares on the NASDAQ OMX Tallinn Stock Exchange. The Company has applied for the listing of all its Shares in the Main List of the NASDAQ OMX Tallinn Stock Exchange (for general information on the Tallinn Stock Exchange, see *"Estonian Securities Market"* below). The Company will take all necessary measures in order to comply with the NASDAQ OMX Tallinn Stock Exchange rules so that its application will be approved.

SELECTED FINANCIAL INFORMATION

The following summary financial information should be read in conjunction with "Operating and financial review" and the consolidated financial statements of the Company included elsewhere in this Offering Circular. The tables below present certain selected financial data as of the end of financial years on 31 December 2007, 2008 and 2009. The financial information for the years 2007 and 2008 is based on pro forma consolidation of IFRS consolidated financial results of SMK and KPC. The historical audited annual financial statements for SMK were originally prepared for financial year ending 30 June. Therefore, the pro forma consolidated financial information considers SMK financial results for the same financial year period as KPC, ending 31 December. The financial information for the year 2009 is based on the audited consolidated financial statements of the Company (prepared in accordance with the IFRS).

	For the 12 months period ended 31 December		
	2007	*2008*	*2009*
	pro forma	*pro forma*	*actual*
Income statement information	(in EEK millions unless otherwise stated)		
Revenue	995.4	1,210.2	1,075.0
Cost of goods sold	-739.2	-916.2	-796.8
Gross profit	**256.2**	**294.0**	**278.2**
Selling and distribution expenses	-173.3	-250.8	-212.7
Administrative expenses	-59.0	-78.0	-61.9
Other activities	33.0	43.9	30.9
Biomass IFRS valuation	15.8	1.1	4.9
Operating profit	**72.7**	**10.2**	**39.4**
Net financial items	-23.1	-41.0	-29.2
Profit before income tax	49.6	-30.8	10.2
Income tax	-5.7	6.7	0.6
Profit for the period attributable to:	43.9	-24.1	10.8
Non-controlling interest	0.8	1.2	0.8
Owners of the Company	**43.1**	**-25.3**	**10.0**
Average number of shares	n.a.	n.a.	1,221,042
Earnings per share data for profit attributable to owners of the Company:			
Basic earnings per share (EEK)	n.a.	n.a.	8.19
Diluted earnings per share (EEK)	n.a.	n.a.	8.19

	As at 31 December		
	2007	*2008*	*2009*
	pro forma	*pro forma*	*actual*
Balance sheet information	(in EEK millions unless otherwise stated)		
Cash and cash equivalents	21.8	19.7	19.6
Trade receivables	135.1	141.5	125.0
Inventories, other than biomass	119.1	126.4	107.7
Biomass	99.6	81.9	97.5
Fixed assets held for sale	-	25.8	26.7
Other current assets	9.1	18.0	9.1
Total current assets	**384.7**	**413.3**	**385.6**
Deferred tax assets	1.0	5.5	5.5
Long-term financial assets	8.1	1.4	1.5
Tangible assets	378.7	283.2	242.0
Investment property	2.8	2.7	32.6
Intangible assets	63.2	56.7	50.4
Goodwill	107.9	265.5	265.5
Total non-current assets	**561.7**	**615.0**	**597.5**
Total assets	**946.4**	**1,028.3**	**983.1**
Supplier payables	102.5	113.5	77.0
Factoring	28.3	30.9	42.8

Other current liabilities	60.2	62.4	54.6
Interest-bearing borrowings, current	113.3	184.3	159.6
Total current liabilities	**304.3**	**391.1**	**334.0**
Interest-bearing borrowings, non-current	312.0	143.9	149.7
Deferred income tax	22.3	22.1	21.9
Other non-current liabilities	-	15.8	17.3
Target financing	29.9	29.5	26.1
Total non-current liabilities	**364.2**	**211.3**	**215.0**
Equity attributable to equity holders of the company	268.2	422.9	430.3
Non-controlling interest	9.7	3.0	3.8
Total equity	**277.9**	**425.9**	**434.1**
Total liabilities and equity	**946.4**	**1,028.3**	**983.1**

	For the 12 months period ended 31 December		
	2007	***2008***	***2009***
	pro forma	***pro forma***	***actual***
Cash flow information	(in EEK millions unless otherwise stated)		
Cash flow from operating activities	n.a.	21.9	36.6
Cash flow from investing activities	n.a.	84.0	-5.0
Cash flow from (used in) financing activities	n.a.	-108.0	-28.6

	For the 12 months period ended 31 December		
	2007	***2008***	***2009***
	pro forma	***pro forma***	***actual***
Income statement information	(in EUR thousands unless otherwise stated)		
Revenue	63,619	77,348	68,703
Cost of goods sold	-47,243	-58,555	-50,921
Gross profit	**16,376**	**18,793**	**17,782**
Selling and distribution expenses	-11,078	-16,029	-13,597
Administrative expenses	-3,771	-4,987	-3,953
Other activities	2,109	2,803	1,973
Biomass IFRS valuation	1,009	70	311
Operating profit	**4,645**	**650**	**2,516**
Net financial items	-1,475	-2,621	-1,866
Profit before income tax	3,170	-1,971	650
Income tax	-366	429	41
Profit for the period attributable to:	2,804	-1,542	691
Non-controlling interest	47	75	52
Owners of the Company	**2,757**	**-1,617**	**639**

	For the 12 months period ended 31 December		
	2007	***2008***	***2009***
	pro forma	***pro forma***	***actual***
Income statement information	(in EUR thousands unless otherwise stated)		
Average number of shares	n.a.	n.a.	1,221,042
Earnings per share data for profit attributable to owners of the Company:			
Basic earnings per share (EUR)	n.a.	n.a.	0.52
Diluted earnings per share (EUR)	n.a.	n.a.	0.52

	As at 31 December		
	2007	***2008***	***2009***
	pro forma	***pro forma***	***actual***
Balance sheet information	(in EUR thousands unless otherwise stated)		
Cash and cash equivalents	1,392	1,259	1,254
Trade receivables	8,632	9,041	7,961
Inventories, other than biomass	7,610	8,078	6,884
Biomass	6,368	5,235	6,228
Fixed assets held for sale	-	1,647	1,708
Other current assets	581	1,154	608
Total current assets	**24,583**	**26,414**	**24,643**
Deferred tax assets	63	354	354
Long-term financial assets	514	90	96
Tangible assets	24,210	18,100	15,465
Investment property	177	170	2,084
Intangible assets	4,043	3,623	3,215
Goodwill	6,894	16,971	16,971
Total non-current assets	**35,901**	**39,308**	**38,185**
Total assets	**60,484**	**65,722**	**62,828**
Supplier payables	6,555	7,252	4,920
Factoring	1,806	1,976	2,732
Other current liabilities	3,850	3,989	3,496
Interest-bearing borrowings, current	7,239	11,777	10,198
Total current liabilities	**19,450**	**24,994**	**21,346**
Interest-bearing borrowings, non-current	19,939	9,197	9,569
Deferred income tax	1,424	1,414	1,400
Other non-current liabilities	-	1,010	1,101
Target financing	1,913	1,886	1,667
Total non-current liabilities	**23,276**	**13,507**	**13,737**
Equity attributable to equity holders of the company	17,139	27,029	27,501
Non-controlling interest	619	192	244
Total equity	**17,758**	**27,221**	**27,745**
Total liabilities and equity	**60,484**	**65,722**	**62,828**

	For the 12 months period ended 31 December		
	2007	*2008*	*2009*
	pro forma	*pro forma*	*actual*
Cash flow information	(in EUR thousands unless otherwise stated)		
Cash flow from operating activities	n.a.	1,398	2,340
Cash flow from investing activities	n.a.	5,371	-317
Cash flow from (used in) financing activities	n.a.	-6,902	-1,825

	For the 12 months period ended 31 December		
	2007	*2008*	*2009*
	pro forma	*pro forma*	*actual*
Key ratios and indicators	(in EUR thousands unless otherwise stated)		
Revenue	63,619	77,348	68,703
EBITDA	7,513	4,807	6,203
EBITDA margin, %	11.8%	6.2%	9.0%
Operating profit margin, %	7.3%	0.8%	3.7%
Return on investment (ROI), %	n.a.	1.4%	5.3%
Return on equity (ROE), %	n.a.	-6.9%	2.5%
Return on assets (ROA), %	n.a.	1.0%	3.9%
Equity ratio, %	29.4%	41.4%	44.2%
Capital expenditure	4,124	2,241	680
Number of employees	659	647	581

EBITDA	=	Earnings before net financial items, share of profit of associates, taxes, depreciation and amortization. EBITDA is included as a supplemental item, since the Management believes that EBITDA, when considered in conjunction with cash flows from operating, investing and financing activities, may provide useful information. EBITDA is not a measure of operating performance calculated in accordance with IFRS and should not be considered as a substitute for operating profit, net income, cash flow from operations or other profit or loss or cash flow data determined in accordance with IFRS.
EBITDA margin	=	EBITDA / Revenue. The EBITDA margin measures the relationship between different measures of profitability and revenue providing information about a company's profitability from the operations of its business and is independent of the company's financing and tax position as well as depreciation-related estimates.
Operating profit margin	=	Operating profit / Revenue. The operating profit margin measures the relationship between different measures of profitability and revenue providing information about a company's profitability from the operations of its business and is independent of both the company's financing and tax position.
Return on investment (ROI)	=	(Profit after net financial cost + Interest expense) / (Average total assets—average interest free liabilities). Return on investment measures the relationship between profits and the investment required to generate them.
Return on assets (ROA)	=	Operating profit / Average total assets. Return on assets compares income with total assets (i) measuring management's ability and efficiency in using the firm's assets to generate (operating) profits and (ii) reporting the total return accruing to all providers of capital (debt and equity), independent of the source of capital.
Return on equity (ROE)	=	Net profit / Average equity. Return on equity excludes debt in the denominator and compares net income with total shareholders' equity. It measures the rate of return on shareholders' investment and is, therefore, useful in comparing the profitability of a company with its competitors.
Equity ratio	=	Equity / Total assets. Equity ratio is a measure of financial leverage which highlights the ratio of shareholders' equity to total assets. The analysis of a company's financial leverage (or capital structure) is essential to evaluate its long-term risk and return prospects.
Capital expenditure	=	New investments into tangible and intangible assets.

As of 30 June 2008 SMK Group auditors have not attended the physical count of inventories in ÖF, SF and Vettel.

The estimate of fair value of biomass will always contain uncertain assumptions, even though the Company has built in-house expertise in assessing these factors. The volume of biomass is in itself an estimate that is based on the juveniles put into lake/sea, the estimated growth and estimated mortality based on observed mortality in the period. The volume is adjusted for gutting wastage. Company tests the biomass by carrying out actual physical inventory weighing twice a year. Due to the weather conditions at the balance sheet date and process lengthiness the physical inventory is not possible to carry out as of the balance sheet date.

RESULTS OF OPERATIONS AND OUTLOOK

This Section accommodates the discussion on the results of the operations of the Company for financial years ended 31 December 2009 (as compared with the results of the financial year ended 31 December 2008) and 31 December 2008 (as compared with the results of the financial year ended 31 December 2007), as well as the important developments affecting results of operations in financial year 2010. This Section should be read in conjunction with the other parts of this Prospectus which include important information on the operations and financial condition of the Company, as well as in conjunction with the consolidated audited annual reports of the Company for the relevant accounting periods.

DEVELOPMENTS HAVING EFFECT ON OPERATIONS

MACROECONOMIC ENVIRONMENT

The economic environment of 2009 was the most difficult in the last 10 years. Consumption of food products on the markets of the Company decreased 10-20% in comparison to 2008 and remained on the same level only in Finland, where the Group managed to found ways for increasing sales, though also Finnish market was experiencing depression. The situation in Latvia is the most complicated of all the markets the Group is operating in. Average prices of food products decreased in addition to their quantities in the Baltic States – 10% on average in the ice cream and frozen food sector. Consumption decreased less in the sector of cheaper products. The decrease in the sales price of products was compensated by the decrease in raw material prices on the world market and salary cuts as well as other cuts in costs in all group companies. The situation in the financial sector remained complicated in 2009 with companies finding it increasingly harder to get financing from banks and their payment discipline suffering as a result. The pressure of retail chains in order receiving better conditions from producers can be expected to increase in 2010, which means that weaker producers will either go bankrupt or get bought up.

Despite to the above, food products consumption went through a smaller drop than the economy as a whole, but still there was decline in consumption. Hence also turnover of the Company showed a decrease and the turnover of 2009 was 1.1 billion Estonian kroons (68.7 million EUR) compared to 1.2 billion EEK (77.3 million EUR in 2008). But in contrast to the overall economy, which mainly talked about decline in profits, the Company was able to earn an annual profit instead of loss in 2008. Net profit of 2009 was 10.8 million EEK (0.7 million EUR), while in 2008 company's loss was 24.1 million EEK (1.5 million EUR).

CHANGES IN CONSUMER BEHAVIOUR

Estonia in 2009 had background of decreasing economy and this has made consumers very conservative and dependent of price campaigns. Only in the end of the year 2009 the anticipation of euro started to grow and the notes of optimism is felt that the second half of 2010 the economy could start to rise. Unemployment rate growth to 15% by the end of 2009 has decreased consumption a lot and biggest downfall has been with consuming of products with bigger added value and average and above-average price level. From the Company's products it bears most on expensive ice creams and frozen products like french fries, vegetables and pizzas. However, the fall is less noticeable in dumplings and in other semi-finished products. Thanks to its powerful trademarks and high-quality products behind those marks, we have been able to maintain our market share in the conditions of declining market and fallen prices. Compared to a year ago, we are especially glad with increased sales of our frozen products trademark "Maahärra" and with recently launched new pan-Baltic trademark "Bueno!". It is expected that the market shares will be continuously rearranged in the 2010 and stronger companies will benefit from this. On the other hand the competition increase between retail chains is expected and it also increases pressure on producers across the Baltics, which will lead to campaign price fall and retail chains increase the share of private label products.

EXPANSION IN DIFFERENT MARKETS

In 2009, the Company began to exploit the advantages of our various markets, intending to take the know-how obtained from the Baltic States, the brands and products to the Scandinavian countries and vice versa. The Group will launch the sales of chilled fish products in the Baltic States under the new brand name "Viking". The products come from our Saaremaa factory Vettel and present a large challenge for our companies in the Baltic States, who for the first time in the history of the Company launch the sale of chilled products under their own brand name on the retail market. In Finland the Group started in 2009 and in 2010 the Group will continue powerful development in the HoReCa (hotels, restaurants, catering) sector, which offers us plenty of challenges for expanding the sale of fish products.

CONSTANT RE-INVESTING OF PROFITS

The Group has maintained outstanding growth rates in the referred period through reinvesting the majority of its profits back into the Group's operations. No dividends were paid out to the shareholders of the Company.

FACTORS WITH CONSTANT EFFECT ON RESULTS OF OPERATIONS

SEASONALITY

As also mentioned in the *"Risk Factors"* Section, the revenues gained from the sales of ice cream are subject to seasonal variations, especially in the Baltic markets. The revenues from sales of ice cream are the highest during the second and third quarter (in particular during summer months), while the sales are slowing down during the fourth and first quarters (especially in Lithuania). At the same, the sales of frozen food decrease during the harvesting period at the end of summer and several months thereafter, when fresh vegetables and fruits are available, but peak again from January to April. However, as the seasonal fluctuations in the sales of ice cream and frozen food occur at different times, the adverse effect for the Group is alleviated, because the Group can optimize its logistic operations on account of one business line at the low season of the other.

DEPENDENCY ON WORLDWIDE MARKET PRICES
The prices of most of the products necessary for the production of some Group's products (in particular ice cream) depend on the worldwide market prices. Therefore, production costs vary depending on the worldwide price levels of input (e.g. prices of milk powders, cream, butter, sugar, etc), whereas the worldwide price levels of input may rise faster than the prices of end-products in local markets, or than what the local consumers are willing to pay. Therefore, the margins available for the market participants may shrink. The same applies to the prices of fresh fish.

INTEREST RATES AND AVAILABILITY OF FINANCING
The interest rates of most of the loans taken by the Group entities are mostly based on the EURIBOR base rate which is determined as of the quotation date occurring each 6 months from the date of the relevant loan agreement. Therefore, increases in the European Central Bank interest rates (and, consequently, increases of the EURIBOR base rate) will lead to a corresponding increase in the financial costs of the Group. Furthermore, fluctuating interest rates and overall market situation may have adverse effect on availability of financing by banks and other finance institutions and taking into account the Group's needs for outsourced financing, availability of financing has significant effect to the Group's results and operations.

EXPOSURE TO FOREIGN CURRENCY FLUCTUATIONS
The Group has exposure to fluctuations in currency exchange rates. The Group's consolidated reporting currency is Estonian kroon, but part of its revenues is earned in euros, Latvian lats, Lithuanian litas, Swedish krona and Russian roubles. Therefore, significant changes in the movements of currency exchange rates could have a significant effect in the results of operations and the financial position of the Group. This factor will have less significant effect on the Group's results and operations once the Baltic states start using euro as the valid currency.

RESULTS OF OPERATIONS AND COMPETITIVE POSITION OF CLIENTS AND CO-OPERATION PARTNERS
Results of operations and competitive position of the Group's major clients and co-operation partners should be considered as a relevant factor having effect on the Group's results and operations. The above applies foremost to the retailers used as distribution channels for the Group's products. Retailers with significant market shares are in a better position to influence terms and conditions of distribution of the Group's products. Nevertheless, the Group's well-known brands and loyal consumers at least partially mitigate this difference of negotiating positions.

COST OF LABOUR
The Group hired 581 employees as at 31 December 2009. Costs of labour have constant effect of the results of operations of the Group companies. In the near past, the trend has been positive for the Group, in other words, the macroeconomic situation has had a decreasing effect on wages and overall labour related costs; nevertheless, improvement of the overall economic situation, labour costs may raise and therefore have an effect on the Group's general cost base and results of operations.

COMPETITION
As any other company, the Group's results and operations are influenced by competitors. The food industry in general is characterised by highly competitive market structures, accommodating an ample number of market players, including small niche producers as well as large enterprises, in most segments.

The fish and fish processing industry depends, on the one hand, on the availability of fresh fish at competitive prices, and one the other hand, on the sales channels, which are made up mostly of major retail chains. Competition for both, favourable input supplies and distribution channels is high in the Group's main markets for fish and fish products. While the Group enjoys the advantage of the established reputation of a reliable and trusted co-operation partner as compared with potential new entrants, there are nevertheless no safeguards against the price wars by existing competitors or against potential competition, which could shake the Group's competitive position.

At the same time, the Group's frozen foods business line faces competition not only by other suppliers and distributors of frozen foods, but also by the providers of fresh and chilled products (vegetables, meat, ready-made meals, etc). While the entry into the market for distribution of frozen foods entails significant sunk costs, the entry costs are not that significant for existing food sector companies, already having necessary equipment (e.g. meat processors), who therefore exert potential competition to the Group.

The ice cream markets are competitive in all of the Group's main geographic markets and accommodate strong competitors for the Group.

It should be also noted that private label brands operated by large retail chains have emerged over the past decade and the private label brands continue have an increasing market share in several food segments. Such brands exert competition to producers and distributors of branded products.

Hence, the Group faces the constant challenge to cope with the competitive environment in all of its main markets. Even though the Group has been rather successful in maintaining and strengthening its position in these conditions over the last years, the Group cannot guarantee to investors that it will be able to compete successfully in the future against existing or potential competitors in all markets. Increased competition may force the Group to invest larger resources to further brand building and sales supporting activities, which may have effect also on revenues in short-mid-term perspective.

IMPORTANT ACCOUNTING POLICIES

The consolidated financial statements of the Company for 2009 have been prepared in accordance with International Financial Standards (IFRS) as adopted by the European Union. The financial statements have been prepared in accordance with those standards and IFRIC interpretations issued and effective or issued and early adopted as of the time of preparing these statements.

The financial statements have been prepared under the historical cost convention, as modified by the financial assets at fair value through profit or loss and investment property, which are presented at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 of the 2009 Consolidated Annual Report annexed to this Prospectus.

These consolidated financial statements have been prepared for the period of 1 January 2009 to 31 December 2009. The functional currency of AS Premia Foods is Estonian kroon (EEK). These financial statements are presented in thousands of EEK and in thousands of euros, unless indicated otherwise. The Estonian kroon is pegged to euro at the rate of EUR 1 = EEK 15.6466

New standards, amendments to standards and interpretations adopted by the Group which became effective in the financial year of the Group beginning on 1 January 2009.

RESULTS OF OPERATIONS

Detailed information on results of operations of the Group has been provided in the Financial Statements annexed to this Prospectus.

LIQUIDITY AND CAPITAL RESOURCES

For information concerning the Company's capital resources, please refer to *"Capitalization"* and to the 2009 Consolidated Annual Report of the Company annexed to this Prospectus.

There are no restrictions on the use of the Group's capital resources that have materially affected, or could materially affect, directly or indirectly, the Company's operations. All future investments as described in *"Information about the Company – Investments"* will be made form, the Company's own capital resources.

SUMMARY OF AUDITORS' OPINIONS

The auditors of the Company have audited the consolidated financial statements of the Company for the financial years ended 31 December 2009. Having done so, the auditors have issued unqualified reports stating that these financial statements present fairly, in all material respects, the financial condition of the Company as of the end of each relevant period, as well as the results of its operations and its cash flows for the relevant period in accordance with the IFRS.

STRATEGIC OBJECTIVE AND SHORT-TERM GOALS

STRATEGIC OBJECTIVE

The Group's strategic goal is to become the leading company in deep frozen and chilled food processing and sales in the Baltic, Scandinavian and North-West Russian area. In order to achieve this goal, the Group focuses on expansion, finding synergies and increasing efficiency.

IMPLEMENTATION OF STRATEGY: EXPANSION

The expansion includes the following measures:

- **Acquisition of enterprises and trademarks.** The Group has acquired a number of enterprises and trademarks in the Baltics, Scandinavia and Russia with the purpose of strengthening or expanding business activities in target markets, and it intends to continue this practice in the future.
- **Utilising existing trademarks for the purposes of new product categories.** The Group holds and operates a wide range of strong brands, which it intends to use also for launching new products. On the one hand, this allows cost-cutting on account of new brand development and facilitates the expansion by way of launching new products. On the other hand, this also strengthens the existing brands.
- **Launch of new trademarks for new product categories.** The Group has ample experience in brand development, which gives the Group the confidence of its ability to successfully expand its operations on account of new brands and products.

IMPLEMENTATION OF STRATEGY: EXPLORING SYNERGIES

In order to explore synergies, the Group intends to implement the following measures:

- **Strengthening the trademark "Premia" as a corporate brand.** The Group's flagship brand "Premia" was launched originally as a product brand for ice cream business line, but it has been developed into a strong corporate brand for the Group over the recent years. The Group intends to continue boosting its umbrella brand and communicating its characteristics in all target markets. The association of the Group's products with the trusted and recognised corporate umbrella brand by consumers will facilitate the launch of new brands and products and hence, contributes to the expansion of the Group.
- **Strengthening and expansion of strong existing trademarks.** Over the years, the Group has succeeded in developing a wide number of brands, some of which have been more successful than others. The Group will focus on strengthening and expanding its strongest and most viable brands, while reducing the total number of trademarks operated by the Group in the Baltic and Scandinavian region today, which enables cost-cutting and more efficient brand management.
- **Taking full advantage of the existing production capacity.** Over the recent years, the Group has invested significantly in building and renovating its production facilities. In the upcoming years, the Group will take full advantage of the capacity of these production facilities to support the entry into new markets.
- **Taking full advantage of the existing marketing and sales know-how.** The Group's management has ample local and international experience in the food industry through which the Group has developed significant marketing and sales know-how. The Group will take advantage of such know-how to expand the sales of frozen foods and ice cream in Finland and the sales of chilled fish products in the Baltics, as well as to deploy common principles on designing the product portfolio in the Baltics, Finland and Russia.
- **Increase of efficiency in OOO Khladokombinat No 1's production and sales organizations, in product portfolio and purchasing process.** The Group has experience as leading producer and seller of ice cream in Baltic states, therefore synergy in this specific know-how can be transferred to OOO Khladokominat No 1, in order to increase market share furthermore.

IMPLEMENTATION OF STRATEGY: INCREASING EFFICIENCY

To increase efficiencies, the following measures will be applied:

- **Continuous optimisation of production units.** The Group will continue optimising its production units on the one hand, through investments into the facilities, and on the other hand, through the further integration of production process and management. This will allow benefiting from economies of scale and scope and will pave way to the in creased efficiency and expansion on the Group level.
- **Taking advantage of increased bargaining power.** The Group's pan-Baltic, Scandinavian and Russian presence in various product segments has made the Group an important business partner both for suppliers and clients. As several of the Group's brands have become so-called "must have items" for major retailers, this has further increased the Group's bargaining position vis-à-vis its business partners. Owing to the increased bargaining power, the Group can obtain better purchase prices from suppliers of raw materials, packaging, logistics, etc., as well as better terms with clients.
- **Continuous optimisation of product portfolio in all markets.** The Group will continue its efforts to optimise the product portfolio in all its markets to be able to further benefit from the economies of scale and scope.

SHORT-TERM GOALS (2010)

The Group's most important short-term goals to be pursued within 2010 include the following:

- **Finding new market segments in Finnish market for fish products.** The Group endeavours to strengthen its presence in the Finnish market for fish products, in particular through increasing its client base on account of new market segments, such as the HoReCa sector.
- **Maintaining the leading position in Estonian ice cream market, continue among leaders in Lithuanian ice cream market and maintaining strong second position in Latvian and St Petersburg's ice cream market.** The Group is the undisputed market leader in the market for production and sale of ice cream in Estonia. In Lithuania, the Group has only recently obtained

the leading position among ice cream suppliers, and the Group will continue its endeavours to further secure this position in Lithuania. The Latvian ice cream market has been lead by the Latvian company Rigas Piena Kombinats for a long time, whereas the remaining market participants have exerted harsh competition for the second position. Over 2009, the Group succeeded in achieving the second position in the Latvian ice cream market, and over 2010, the Group will endeavour to further secure this position in Latvia.

- **Entering the Baltic markets with chilled fish products.** The Group launched to the Baltic markets the first chilled products in the Group's history – the packed and chilled red fish products under the brand "Viking". This constitutes a part of the Group's agenda to expand its chilled fish and fish products business line in the Baltics.

INFORMATION
ABOUT THE COMPANY

HISTORY AND DEVELOPMENT OF THE GROUP

GENERAL INFORMATION

The Company has been established as a public limited company (in Estonian: aktsiaselts) under the laws of the Republic of Estonia with the business name AS Premia Foods. The Company was registered in the Estonian Commercial Register on 23 December 2008.

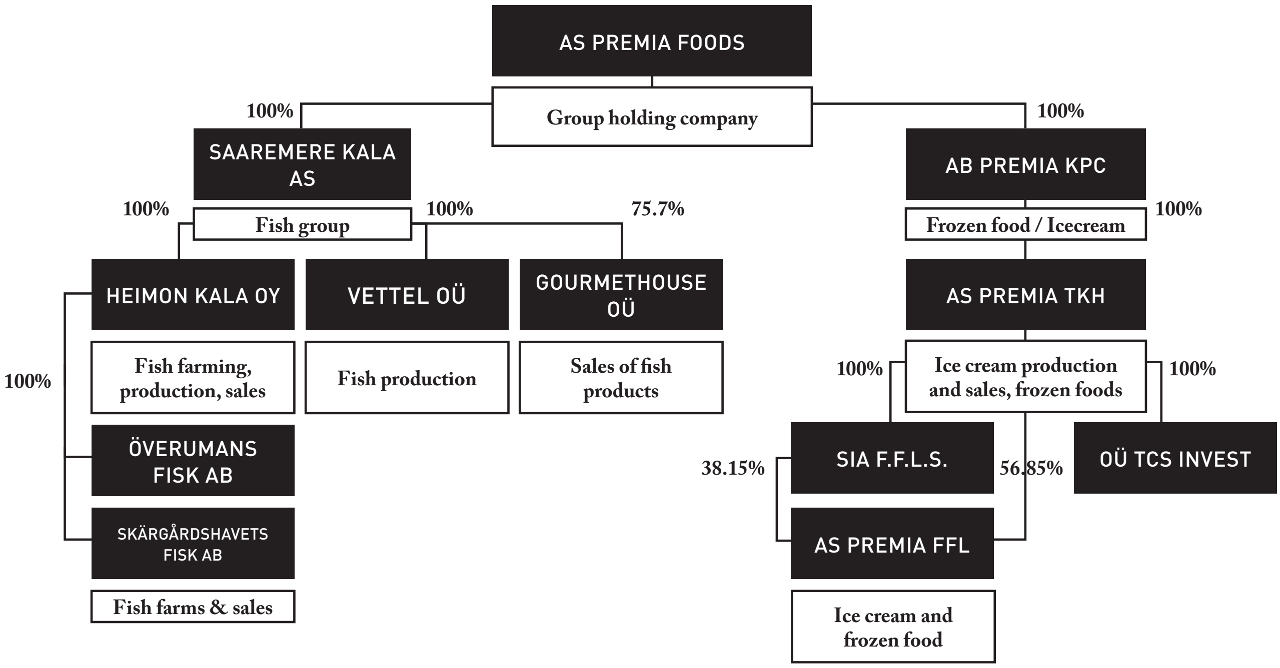
STRUCTURE OF THE GROUP

The ultimate holding company of the Group is AS Premia Foods (the Company), which owns the following companies either directly or through its subsidiaries as at the date of this Prospectus:

Company name	Share-holding	Country	Share capital (EEK)	Share capital (EUR)
AB "Premia KPC" (KPC)	100%	Lithuania	162,597,920	10,391,901
AS Premia Tallinna Külmhoone (PTKH)	100%	Estonia	40,082,840	2,561,760
SIA "F.F.L.S" (FFLS) [1]	100%	Latvia	44,101	2,819
AS "Premia FFL" (FFL) [1]	95%	Latvia	6,343,503	405,424
OÜ TCS Invest (TCS)	100%	Estonia	40,000	2,556
Saaremere Kala AS (SMK)	100%	Estonia	7,143,880	465,577
Heimon Kala OY (HK)	100%	Finland	157,894	10,091
Vettel OÜ (Vettel)	100%	Estonia	13,539,700	865,345
Gourmethouse OÜ (GH)	75.7%	Estonia	42,000	2,684
Överumans Fisk AB (ÖF) [1]	100%	Sweden	3,045,220	194,625
Skärgårdshavets Fisk AB (SF) [1]	100%	Sweden	4,567,830	291,938

[1] as of December 31, 2009; following exchange rates have been used 1 LVL = 22.0504 EEK; 1 SEK = 1.52261 EEK

The structural chart of the Group is as follows below:



Please turn to the Section "*Share Ownership*" for further details on the minority shareholders in the Group companies.

BRIEF DESCRIPTION OF GROUP ENTITIES

COMPANY

The Company was established in Estonia in December 2008 by PTKH with the purpose of creating a holding company for the group consolidating various food companies, including the ice cream and frozen food business lines represented by PTKH, KPC, FFL and the fish business line represented by SMK, Vettel, HK, ÖF, SH and GH.

The current shareholders of the Company acquired their shares from PTKH and subscription of new shares of PF against non-monetary contribution consisting of their shares in PTKH, KPC or SMK at the beginning of 2009.

KPC

Originally, Kauno Pieno Gamykla was established in 1936. The company supplied Kaunas city with dairy products and ice cream. In 1970 the dairy production was moved to the suburbs of Kaunas and the ice cream production remained in the same place. The main activities of KPC were production and sale of ice cream and sale of frozen products.

KPC was established in Vilnius in February 1994 as a private company under the name of the Bendra Lietuvos-Airijos uždaroji akcinė bendrovė "Kauno pieno centras". In 1995, KPC was restructured into the public company and in 1998, its name was changed to akcinė bendrovė Kauno pieno centras. In December 2005, Amber Trust II S.C.A. became the sole shareholder of KPC. Until 2003, the main activities of KPC had been the production, retail and wholesale of ice cream and frozen food products. KPC ceased its production activity and transferred it solely to Tallinn in 2004. At the beginning of 2007, it sold its real estate in Lithuania (including five industrial premises, two administrative premises, etc).

At the beginning of 2008, the name of KPC was changed to AB "Premia KPC". After the restructuring of Premia group in 2008-2009, KPC increased its ownership in PTKH to 100% and the Company became the sole shareholder of KPC.

Currently the main activities of KPC are retail and wholesale of and provision of logistical services for ice cream and frozen food products.

PTKH

PTKH was established under the name Tallinna Külmhoone (Tallinn Cold Store) in Tallinn in August 1951. Initially, the primary goal of the company was to store milk products and since 1953 also to store meat products. In 1956, the company opened an ice cream production factory, which marked the beginning of ice cream production tradition in Estonia.

During the Soviet period, the company was the biggest ice cream factory in the Baltics supplying its products mainly to the market of the Soviet Union. Besides making ice cream, the company dealt with frozen foods.

The new period for the company began in 1995, when Tallinna Külmhoone RAS (state public limited company) was formed. In May 1996, Tallinna Külmhoone AS was established as a legal person under private law, and already in 1997 company's shares were offered on the open market.

In June 1999, a new modern Tallinna Külmhoone factory building complying with the relevant European directives was opened. Several companies have been merged into PTKH – AS Jäälill and AS Piimar in 1997, Tartu Jäälill AS, Pärnu Jäälill AS and Rakvere Jäälill in 2002.

The company operates under the current business name AS Premia Tallinna Külmhoone since September 2007.

FFLS

FFLS was established in Riga in August 2004. In October 2007, PTKH acquired 100% of the shares of FFLS. Currently, FFLS is a holding company without active business operations. In order to ensure better organised group structure and increase efficiency of the Group, the Company may consider merging FFLS with FFL or liquidating FFLS without the referred merger in the future.

FFL

FFL was established in Riga in April 2000 through a merger of three independent companies which had operated in the frozen food industry for seven years already, attracting also international investor Baltic Small Equity Fund. The company soon became a leading distributor of frozen foods in Latvia and it expanded its activities by opening new branches and warehouses around Latvia. In April 2004, FFL commenced providing also logistics services besides warehousing and distribution. In June 2007, FFL received quality management system certificate LVS EN ISO 9001:2000, which confirms the compliance of the operations of the company with the international standard.

In October 2007, PTKH acquired majority shareholding in FFL. Further to the acquisition, the name of AS "FFL" was changed to AS "Premia FFL" in January 2008.

TCS

TCS was established in Tallinn in November 2006 as a 100% subsidiary of PTKH with the purpose of investment management. TCS did not have any operations in 2007. It bought certain trademarks of the Russian company ZAO Khladokombinat No 1 during the course of 2008 for the loans granted by PTKH, but has sold these trademarks to PTKH by now. In order to ensure better organised group structure and increase efficiency of the Group, the Company may consider merging TCS with PTKH or liquidating TCS without the referred merger in the future.

SMK

SMK was established in Tallinn in October 2006 under the business name Aktsiaselts Vicron Trade Group by Amber Trust S.C.A. Since December 2006, the business name of SMK is Saaremere Kala AS.

In January 2007, SMK acquired 100% stake in Vettel and Saaristomeren Kala OY by way of share swap. SMK operates primarily as holding company, consolidating the operations of Vettel, HK, SF, ÖF and GH.

VETTEL

Vettel was established during the Soviet time as collective fishing farm in Saaremaa, Estonia. After regaining independence, the facilities were privatised and changed owners on several occasions. Vettel was registered as a private limited company under the business name OÜ Lukes Projekt in February 1998 and its business name was changed to OÜ Vettel in September 1998. In July 2003, Amber Trust S.C.A. acquired 37.25% holding in Vettel and increased its holding to majority holding through series of transaction after that. Today, Vettel operates as fish processing facility employing around 70 employees and exporting majority of its production to Finnish and other foreign markets.

HK

HK was established in Finland in September 1981. The shares of HK were acquired by Vettel from Mr Heimo Juvankoski, Mr Pertti Vilen and Mr Petri Oksanen in November 2005. Today, HK is a fully owned subsidiary of SMK, which acquired the shares of HK from Vettel during the course of the Group restructuring in 2008-2009.

In May 2009, HK's sister company – the Finnish company Saaristomeren Kala Oy – was merged into HK. Saaristomeren Kala Oy was established in May 1987. Prior to the merger, Saaristomeren Kala Oy had two fully owned subsidiaries in Sweden (SF and ÖF), and two subsidiaries in Finland (fully owned Polar Fish Oy and 81% of Imatran Kala and Kaviaari Oy).

SMK acquired all the shares of Saaristomeren Kala Oy on 31 January 2007, by a share exchange with Mr Juhani Salminen and Mr Jukka Salminen, whereby SMK received all the shares of Saaristomeren Kala Oy from the named private persons, who in exchange received in the aggregate 17.25% of shares in SMK. The majority owner of SMK, Amber Trust S.C.A, bought the remaining 17.25% of the shares of SMK from Mr Juhani Salminen and Mr Jukka Salminen in May 2008. At the same time, Mr Juhani Salminen and Mr Jukka Salminen acquired the shares of Polar Fish Oy and Imatran Kala and Kaviaari from Saaristomeren Kala Oy and, therefore, these companies ceased to be subsidiaries of Saaristomeren Kala Oy.

Currently, HK has operations on two locations in Finland, cities of Hämeenlinna and Uusikaupunki, as well as, through its subsidiaries SF and ÖF, on two locations in Sweden.

SF

SF was founded on 15 October 1996 after Saaristomeren Kala Oy had bought sea farm Köpmanholmen in Sweden from bankrupt's estate. Later in 1999 hatchery and fingerling production in Bispgården; Sweden, was acquired from Vattenfall Kraft. In the beginning of 2000 sea farm in Köpmanholmen was sold and since then the company has been focused on rainbow trout and arctic char fingerlings production for ÖF and Sweden and Finnish market.

ÖF

ÖF was founded on 24 November 1995 as a result of small fish farm acquisition from bankrupt's estate. Operations in Storuman, Sweden started with the limited production capacity of less than 100 ton (fish farming right per annum). ÖF has gradually raised its' production up to 1500 ton. Latest increase from 1000 to 1500 took place in early 2008, followed by the large-scale investments into expansion and more effective automatic fish feeding equipment. Due to the 2-year breeding cycle the full effect of the expanded activities can be realized in 2009/2010. ÖF is focused on rainbow trout and arctic char farming. Own slaughtering house enables to slaughter all the fish at site. Company serves mainly group internal raw material need in Vettel and HK. In 2009 direct sales to Swedish market were initiated.

GH

GH was established as a limited partnership in July 2004 and it was transformed into private limited company as of March 2005. GH handles the wholesale operations of the Group's fish business line in Estonia. SMK acquired a majority ownership of GH in 2007.

Further information on the Group companies is available in the 2009 Consolidated Annual Report of the Company annexed to this Prospectus.

FINANCIAL DATA OF THE GROUP COMPANIES

As at 31 December 2009, the balance sheet total, turnover and profit/loss of the Group companies (in thousands) was as indicated in the table below:

Company name	Balance sheet total	Turnover	Profit/loss
AB "Premia KPC" (KPC)	EEK 216,283 EUR 13,823	EEK 138,929 EUR 8,879	EEK -5,832 EUR -373
AS Premia Tallinna Külmhoone (PTKH)	EEK 352,925 EUR 22,556	EEK 368,141 EUR 23,528	EEK 30,447 EUR 1,946
SIA "F.F.L.S" (FFLS)	EEK 5,642 EUR 470	EEK 0 EUR 0	EEK -1 EUR 0
AS "Premia FFL" (FFL)	EEK 88,270 EUR 5,642	EEK 184,757 EUR 11,808	EEK -4,552 EUR -291
OÜ TCS Invest (TCS)	EEK 1,267 EUR 81	EEK 0 EUR 0	EEK 9 EUR 1
Saaremere Kala AS (SMK)[1]	EEK 181,225 EUR 11,582	EEK 5,948 EUR 380	EEK 596 EUR 36
Heimon Kala OY (HK)[1]	EEK 193,184 EUR 12,347	EEK 431,888 EUR 27,603	EEK -2,189 EUR -140
Vettel OÜ (Vettel)	EEK 107,056 EUR 6,842	EEK 170,712 EUR 10,910	EEK 975 EUR 62
Gourmethouse OÜ (GH)	EEK 11,199 EUR 716	EEK 93,421 EUR 5,971	EEK 853 EUR 55
Överumans Fisk AB (ÖF)[1]	EEK 67,420 EUR 4,309	EEK 48,053 EUR3,071	EEK 1,929 EUR 123
Skärgårdshavets Fisk AB (SF)	EEK 25,869 EUR 1,653	EEK 11,384 EUR 728	EEK 2,528 EUR 162

[1] Figures represented according to local GAAP.

RECENT M&A ACTIVITY (THE GROUP RE-STRUCTURING IN 2008-2009)

Prior to the restructuring in December 2008, Amber Trust S.C.A, Firebird Avrora Fund Ltd., Firebird Republics Fund Ltd. and DCF Fund II Baltic States held jointly the vast majority of the shares of SMK, the holding company of the fish business line. The minority of the shares of SMK were held by two active management members Mr Juhani Salminen and Mr Jukka Salminen. In addition to direct ownership, Firebird Avrora Fund Ltd., Firebird Republics Fund Ltd. and DCF Fund II Baltic States had financed SMK's group by subscribing Vettel's bonds. In December 2008, these bonds were converted to SMK's equity.

At the same time, Amber Trust II S.C.A. owned the ice cream and frozen foods business lines by holding 100% of the shares of KPC, which in turn owned 84.5% of the shares of PTKH. The remainder 15.5% was owned by PTKH's management. In reality, KPC was managed from PTKH level, despite the fact that group parent company was Lithuanian based KPC. In December 2008, KPC bought back 7.8% of its own shares from Amber Trust II S.C.A and resolved the issuance of new shares, in order to allow the minority shareholders of PTKH to acquire the shares of KPC in return for their shares in PTKH. As a result of these transactions, KPC become 100% shareholder of PTKH, while the management of PTKH became 15.5% shareholder in KPC.

In order to bring the fish, ice cream and frozen foods business lines under common management and and explore synergies between brands, marketing and sales activities, the Company was established on 23 December 2008. Upon foundation, the shares of the Company were held by PTHK, which resolved the issuance of the new shares to the shareholders of SMK and KPC on 30 December 2008. The new shares of the Company were paid for entirely with in-kind non-monetary contributions, consisting of shares of SMK and KPC. Prior to the completion of the issuance of new shares in January 2009, the existing shares of the Company, which were held by PTKH, were also sold to the subscribers of the shares of the Company.

TIMELINE

The most important milestones in the expansion of the Group's operations and business are summarised below:

Month/Year	Development
1937	Establishment of Kauno Pieno Gamykla
1951	Establishment of Tallinna Külmhoone (Tallinn Cold Store)
1956	Opening of the ice cream production factory of Tallinna Külmhoone
1981	Establishment of Heimon Kala OY
1987	Establishment of Saaristomeren Kala Oy
1994	Establishment of AB "Kauno Pieno Centras"
1995	Establishment of Tallinna Külmhoone as a state-owned stock company
1997	Offering of the shares of Tallinna Külmhoone in Tallinn stock exchange
1997	Merger of AS Jäälill and AS Piimar into Tallinna Külmhoone
1999	Opening of the new ice cream factory of Tallinna Külmhoone at Peterburi tee 42, Tallinn
2000	Establishment of AS "FFL"
2001	De-listing of shares of Tallinna Külmhoone form Tallinn Stock Exchange further to the tender offer to minority shareholders by AB "Kauno Pieno Centras"
2002	Merger of Tartu Jäälill AS, Pärnu Jäälill AS and Rakvere Jäälill into Tallinna Külmhoone
2003	Acquisition of 37.25% holding in Vettel OÜ by Amber Trust S.C.A.
2004	Termination of production activities by AB "Kauno Pieno Centras" in Lithuania
November 2005	Acquisition of the second largest Finnish fish producer Heimon Kala OY by Vettel OÜ
December 2005	Acquisition of the Estonian and Lithuanian ice cream manufacturer and wholesaler of frozen goods binding company AB "Kauno Pieno Centras" by Amber Trust S.C.A. II
October 2006	Establishment of Saaremere Kala AS
January 2007	Acquisition of Saaristomeren Kala Oy by Saaremere Kala AS affording to control the production chain from fish farming to processing
July 2007	Acquisition of 51% of shares of in Gourmethouse OÜ by Saaremere Kala AS
October 2007	Merger of Jalostusyhtiö Airistolainen Oy into Heimon Kala OY; Acquisition of SIA "F.F.L.S" and the majority shareholding in AS "FFL" by AS Premia Tallinna Külmhoone
February 2008	Acquisition of Khladokombinat No 1 trademarks in St. Petersburg
March 2008	Sale of all real estate of AB "Premia KPC"
September 2008	Conclusion of sale and lease-back arrangement between AS Premia Tallinna Külmhoone and Eften Kinnisvara AS with respect to the premises located at Betooni 4, Tallinn
December 2008	Establishment of Premia Foods AS
January 2009	AB "Premia KPC" and Saaremere Kala AS are merged under Premia Foods AS
May 2009	Merger of Saaristomeren Kala Oy into Heimon Kala OY

INVESTMENTS

INVESTMENTS DURING 2007-2009

2007

- Investments into fixed assets by PTKH in the amount of EUR 3.99 million (approximately EEK 62.4 million) (including building the expansion to the logistic centre, acquisition of production equipment and refrigerators for ice cream sales);
- Acquisition of FFL and FFLS by PTKH, the acquisition costs amounted to EUR 8.19 million (approximately EEK 128.1 million);
- Acquisition of 51% holding in GH by SMK, the acquisition costs amounted to EUR 0.22 million (approximately EEK 3.4 million);
- Acquisition of Saaristomeren Kala Oy by SMK, the acquisition costs amounted to EUR 5.15 million (approximately EEK 80.5 million).

2008

- Investments into fixed assets by PTKH in the amount of EUR 2.29 million (approximately EEK 35.8 million) (including mainly lorries, production equipment and refrigerators for ice cream sales);
- Acquisition of Khladokombinat No 1 trademarks, the acquisition costs amounted to EUR 1.67 million (approximately EEK 26.1 million);
- Investments into the fixed assets of Vettel (slicing facility) in the total amount of EUR 0.87 million (approximately EEK 13.6 million). The project was co-funded by EU subsidies;
- Investments into the expansion of Swedish Ankarsund fish farming capacity and new automatic fish breeding system to increase the efficiency of the fish production operations in the amount of EUR 0.55 million (approximately EEK 8.6 million);
- Sale and lease back arrangement with respect to the PTKH's premises located at Betooni 4, with the sales value amounting to EUR 6.2 million (approximately EEK 97 million).

2009

Investments into the fixed assets in the amount of EUR 0.7 million (approximately EEK 10.6 million), the majority of which were investments in production equipment and freezers for selling ice cream, installation of the new version of the Navision business software in SMK group companies and PTKH..

INVESTMENTS IN PROGRESS

Currently, investments into the installation and launch of the new version of the Navision business software in FFL are pending. The amount of investments is in the range of EUR 50,000 (approximately EEK 782,330).

FUTURE INVESTMENTS

The planned investments of the Group for 2010 amount to EUR 0.9 million (approximately EEK 14.1 million), including the investment of into IT systems, ice cream production and sales of KPC group of companies in the amount of EUR 0.24 million (approximately EEK 3.8 million) and into fish farming, production and IT systems of SMK group of companies in the amount of EUR 0.66 million (approximately EEK 10.3 million).

BUSINESS OVERVIEW

PRINCIPAL ACTIVITIES AND MARKETS

GROUP OPERATIONS AT A GLANCE

The Group is a Nordic branded foods company. In 2009, the Group's main business lines contributed to the Group's total revenues as follow:

- Production and wholesale of fish and fish products (43%);
- Distribution and wholesale of frozen food (33%);
- Production and wholesale of ice cream (23%).

The table below summarises the revenues of the Group by business segment in the period 2007-2009:

Business Segment (EEK million)	**2007**	**2008**	**2009**
Fish and fish products	456.2	454.2	458.2
Frozen food	296.5	469.9	350.8
Ice cream	235.4	277.7	251.8
Other	7.3	8.4	14.2
Total	**995.4**	**1,210.2**	**1,075.0**

Business Segment (EUR thousand)	**2007**	**2008**	**2009**
Fish and fish products	29,155	29,028	29,285
Frozen food	18,948	30,036	22,416
Ice cream	15,048	17,746	16,093
Other	468	538	909
Total	**63,619**	**77,348**	**68,703**

The table below summarises the revenues of the Group by geographic segments in the period 2007-2009

Geographic Market (EEK million)	**2007**	**2008**	**2009**
Estonia[1]	369.5	397.0	356.1
Latvia[2]	62.5	280.5	184.4
Lithuania	135.0	137.5	136.4
Finland	402.5	384.6	389.6
Other	25.9	10.6	8.5
Total	**995.4**	**1,210.2**	**1,075.0**

Geographic Market (EUR thousand)	**2007**	**2008**	**2009**
Estonia[1]	23,616	25,376	22,761
Latvia[2]	3,997	17,928	11,785
Lithuania	8,630	8,789	8,717
Finland	25,722	24,582	24,897
Other	1,654	673	543
Total	63,619	77,348	68,703

[1]GH consolidated from July 2007
[2]FFL consolidated from November 2007.

The Group business is characterised by rapid growth both via organic developments as well as via mergers and acquisitions. It has acquired strong production, distribution and logistics enmities in the Baltic and Nordic region over the past few years, which has opened up new markets and created significant synergies with the Group.

The Group's entities own strong brands and obtain the knowhow, experience and willingness to create new brands and operate and boost their existing brands. The most famous trademarks of the Group include "Premia", "Väike Tom", "Regatt" ,"Vau", “Maahärra” in Estonia, “Bravo”, “Klasika“ and “Natali“ in Latvia and Lithuania, “Heimon Gourmet“ and “Saaristomeren Kala“ in Finland and “Bueno!” and “Polar Fish” in the Baltics. At the same time, the Group entities’ pan-Baltic presence and good reputation of a capable and reliable distributor, has made the Group an attractive business partner for the producers of various frozen food brands distributed by the Group (e.g. “Aviko“, “Hortex“,“Esva“ etc). The Group has also proven itself as a reliable partner for private label operators, i.e. retail chains, in the Baltics and Finland. Also Khladokombinat No 1 holds trusted and famous brands as “Sahharnaja Trubochka“,“Baltiiskoje“ and “Etalon“, followed by well-known local specialities in its portfolio.

DESCRIPTION OF MAIN MARKETS

FISH AND FISH PRODUCTS MARKET

The fish and fish products industry is a traditional and well-established segment of food industry in general. Besides retailers who supply end-consumers, HoReCa (hotels, restaurants, cafés) sector is an important client segment for fish and fish products.

Fish, as a healthy and light product, represents the culinary trends of today. Omega 3 fatty acids have been proven to reduce cardiovascular diseases. Furthermore, fatty acids alleviate infections, thus preventing rheumatism and asthma. These acids that the human body cannot produce are also good for the mind, eyesight, the nervous system and the brain. In addition to fatty acids, fish contains a wide variety of other nutrients, such as vitamin D, vitamin B, protein and selenium. Because of its lightness, fish is appropriate as part of a healthy diet and weight control. Hence, fish and fish products represent a healthy alternative to meat products and are thus, highly competitive and growing component of food industry. Normally, domestic brands dominate significantly over imported brands as fish is seen as a local product. HK is unique in the sense that ca 40% of the fish is own farmed in Finland and Sweden, guaranteeing a good quality reliable supply.

Fish and fish products have traditionally been a significant component of the diet of the Finnish people as the consumption per capita is around 16 kg annually. The Finnish consumers are generally loyal to the well-established brands and tastes. The market has been relatively stable and the inflow of new products has been rather slow over the past years. Therefore, the Finnish market represents a potential to attract customers with novelty products.

Finnish retail market is dominated by two large chains, SOK and KESKO, who between themselves control ca 80% of the retail market. Group’s fish producing companies have enjoyed a long and reliable business partnership with both of the chains. Due to the very concentrated retail market, the entry barriers for new producers could be considered significant.

At the same time, the Finnish HoReCa sector provides a developing market for fish producers. Thanks to the long fish consumption traditions of Finnish consumers, the Finnish HoReCa sector has developed good skills to cater fish dishes in all segments starting from canteens and fast foods restaurants to high-end restaurants.

The consumption of fish and fish products is growing in the Baltic markets. Consumers are in particular eager to purchase fresh unprocessed fish. The campaigns of large retail chains (such as Rimi and Maxima) have further popularised the consumption of fresh fish (in particular salmon and trout).

As compared with Finnish market, the inflow of new tastes and products is faster in the Baltics, as the Baltic consumers are generally more experimental.

The consumption of fish and fish products in the Baltic HoReCa segment is also gradually rising, which provides expansion opportunities for local fish providers.

FROZEN FOOD MARKET

Frozen food segment is characterized by the plurality of the product range starting from frozen vegetables, fruits and French fries to meat products and ready-made food such as pizzas, dumplings, etc. Therefore, the range of potential consumers of such products varies to a great degree too, including vegetarians, as well as those who appreciate semi-ready and ready-made food. Frozen foods, especially meat and vegetables, are also a significant input for HoReCa sector.

The sales of certain frozen foods (such as vegetables and French fries) are seasonal depending on the time of the year. The sales of such products peak from January to April.

Building up the facilities and logistic capabilities for operating in the frozen food segment requires significant investments. Therefore, the range of potential distributors is rather limited. At the same time, once the investments have been occurred, the products portfolio of distributors can be increased by adding new frozen foods to the product offering. Moreover, operating the ice cream business line and frozen food business line simultaneously enables to achieve economies of scale and scope and further decreases the economic vulnerability due to the drop in ice cream sales during low seasons.

The three Baltic markets do not differ significantly in terms of the consumption of frozen foods. The sales throughout the Baltics have been somewhat negatively affected by the recent crises, but such changes have not been structural.

ICE CREAM MARKET

The trend in the ice cream consumption is that during winter period the preference shifts from the impulse ice cream products to the family ice cream products. Altogether it may be said that the consumption of ice cream among Estonians is rather stable and not so much affected by the seasonality, thus the difference in the consumption during summer and winter period is approximately double. In Estonia, per capita consumption of ice cream is eight litres annually.

At the same time, in Lithuania the consumption of ice cream is about six times on average bigger during the summer period than it is in the winter period. Such difference apparent in the Lithuanian market is due to the fact that the demand for the family ice cream products that are mostly consumed during the winter period is not as remarkable as it is in Estonia. In Lithuania, per capita consumption of ice cream is approximately five litres annually.

The consumption of ice cream in Latvia has its seasonality, but the difference has smaller effect compared to Lithuania. As mentioned, in Estonia the difference in consumption when comparing winter and summer periods, is approximately double, however in Latvia the difference is about five times bigger,. Both family ice cream and impulse ice cream markets in Latvia are well developed. In Latvia, per capita consumption of ice cream is approximately six litres annually.

The consumption of ice cream in St Petersburg per capita is two times higher than Russian average, being 8 litres annually. As in the Baltics, the consumption is affected by seasonality and there is strong habit of consuming impulse ice creams, whereas the habit of consuming take-home ice creams needs efforts to be developed furthermore. St Petersburg area is very loyal to locally produced brands, this is the reason why the market is dominated by local producers, Khladokombinat No 1 being one of the strongest in this market.

The recent crisis has marginally negative effect on the market of ice cream in the Baltics, but consumption has remained very resilient. Consumers generally have cut back mainly on luxury expenses and non-essential purchases in favour of less expensive alternatives. Such environment favours producers who are able to swiftly react to the challenging market conditions and who are able to provide offers for price-sensitive consumers. Having a large product portfolio in the Baltics has enabled the Company to go along with the campaigns of large retail chains, which reflect positively in the sales. In St Petersburg, OOO Khladokombinat No 1 has strengthened its brand portfolio as well as widened its client base and sustained strong positions in key accounts, also started deliveries in HoReCa segment.

BUSINESS PROCESSES

FISH AND FISH PRODUCTS

The Group's fish and fish products business line is operated by SMK and its subsidiaries. SMK is a holding company established at the end of 2006 in order to consolidate different fish producers under the same holding: HK and Saaristomeren Kala OY (the latter has been merged into HK by now) in Finland, Vettel and GH in Estonia, SF and ÖF in Sweden.

SMK's Finnish subsidiary HK operates fish farming facilities in Finland (mainly rainbow trout and whitefish) and its Swedish subsidiaries SK and ÖF operate fish farming facilities in Sweden (mainly rainbow trout and arctic char). Moreover, HK produces hot and cold smoked fish in its facilities located at Uusikaupunki in Finland. HK's Hämeenlinna office is in charge of financial administration, as well as commercial and logistics operations.

SMK's Estonian subsidiary Vettel performs fish filleting, processes roe and produces marinated, salted and breaded fish products, sliced products and HoReCa sector products in its facilities located at Saaremaa in Estonia. The production of Vettel is distributed through HK. The production facilities of Vettel are considered to be one of the of most modern ones in the Baltics and Scandinavia.

The sales of the SMK group are carried out by HK, which focuses mainly on the Finnish market. At the same time, the SMK's subsidiary GH is responsible for commercial and logistics operations in the Baltic region selling currently mainly fresh fish to Estonian retailers. The Group has started to expand its Finnish operations to HoReCa segment and to expand the sales of chilled packed fish products in the Baltic market.

The Group has a definite advantage by having vertical integration – fish-hatching, production and sales. Trout that is bred in lakes of Sweden and in Finland, Turku archipelago, and salmon brought in from Norway, are processed in modern production facilities of HK in Uusikaupungi, Finland, and Vettel in Saaremaa, Estonia. The Group's own distribution network in Finland and Baltics allows expedient and good quality distribution to our customers.

FROZEN FOODS

The frozen food business line of the Group is handled by PTKH in Estonia, KPC in Lithuania and FFL in Latvia. The Group has its own warehouses and logistic system covering Estonia, Latvia and Lithuania.

The Group operates its own frozen food brands "Maahärra", "Bueno!", "Natali" and "Polar Fish" and simultaneously acts also as the distributor of several well-know frozen foods brands (such as "Aviko", "Hortex", "Esva", "Grandiosa", "Findus", "Apetit", "Ardo", "Saga", "Greens", "Lacu Ledu"s etc). The Company does not process any of the frozen foods itself, but orders ready-made and packaged products from its suppliers and sells both under its own brands as well as under the suppliers' brands.distributor of several well-know frozen foods brands (such as "Aviko", "Hortex", "Esva", "Grandiosa", "Findus", "Apetit", "Ardo", "Saga", "Greens", "Lacu Ledu" etc). The Company does not process any of the frozen foods itself, but orders ready-made and packaged products from its suppliers and sells both under its own brands as well as under the suppliers' brands.

ICE CREAM
The ice cream is produced in PTKH's modern factory in Tallinn for the Baltic states as well as for export markets. The annual capacity of the factory is 8,000 tons. PTKH produces ice cream mainly under its own brands, but also for private label segment.

The distribution of ice cream produced by PTKH, is arranged by PTKH in Estonia, FFL in Latvia and KPC in Lithuania. Operating integrated pan-Baltic warehouse and logistic network, which simultaneously serves the frozen foods business line allows significant cost benefits and economies of scale and scope.

The ice cream business line in St Petersburg is run by OOO Khladokombinat No 1, the second largest ice cream factory in St Petersburg. OOO Khladokombinat No 1 produces, distributes and sells ice creams in the North-Western Russia.

PRODUCTS AND BRANDS OF THE GROUP

FISH AND FISH PRODUCTS
The Group provides the fresh fish and various fish products to respond to the demanding needs of modern consumers with regard to their taste, comfort of use and budget. The most popular products include:

- Smoked (common whitefish, rainbow trout, mackerel and salmon, etc);
- Cold-smoked fish (rainbow trout, salmon, common whitefish, etc);
- Freshly-salted fish (rainbow trout, salmon, etc).

In addition, the product selection includes:

- Fried fish (Baltic herring fillets, salmon balls, fried fish fillets and rainbow trout fillets);
- Grilled fish (salmon);
- Salted fish (rainbow trout and salmon slices);
- Sliced fish (semi-cooked products such as rainbow trout slices);
- Fresh fish (unpackaged or vacuum-packed);
- Roe (from rainbow trout, common whitefish and vendee);
- Convenience food (ready-to-eat fish fillets, fried fish fillets and fish balls);
- Frozen products (fish fillets, ready-to-eat signal crayfish, etc).

The Group's Finnish trademarks include Heimon Gourmet and Saaristomeren. These are well-known and respected fishing brands, whose products have for more than twenty years been parts of everyday and festive dishes on Finnish dining tables. The Group's other trademarks include gurmé and Viking , which are sold in the Baltic markets.

FROZEN FOOD
The Group's product portfolio contains a wide variety of frozen foods marketed under its own brands:

- "Maahärra" in Estonia (vegetable mixes, berries, French fries, doughs, pizzas, dumplings, meat balls, cabbage rolls, etc);
- "Natali" in Lithuania (vegetable mixes, strawberries, pizzas, dumplings, meat balls, etc);
- "Bueno!" throughout the Baltics (vegetables, fries, pizzas);
- "Polar Fish" throughout the Baltics (frozen fish products).

The Group is also acting as a distributor of various other brands of various frozen food products:

- French fries and potato products ("Aviko");
- Vegetables and berries ("Hortex", "Ardo", "Apetit", "Oma mari", "Vetrija", "Greens");Pizzas ("Saarioinen", "Felix");
- Dough products ("Jüri", "Bojaar", "Mantinga");
- Frozen poultry products ("Saga", "Doux");
- Frozen fish products ("Esva").

Besides providing branded frozen food products, the Group provides also non-branded frozen food such as exotic fish (mintai, pangasius), seafood and meat (pork, beef, lamb, chicken, turkey).

ICE CREAM
The Group offers a wide selection of ice cream in different shapes (sticks, cones, waffle, family packaging, etc) and flavours. During the recent years the selection of ice cream products has perceptibly increased.

In Estonia, the main ice cream brands of the Group include "Premia", "Väike Tom", "Põhjatäht", "Vau", "Regatt", "Eskimo" and "Aurora". In Lithuania and Latvia the main ice cream brands of the Group include, in addition mentioned above, "Bravo" and "Klasika". In St Petersburg the most famous ice cream brands produced by Khladokombinat No 1 are "Sahharnaja Trubochka", "Baltiiskoje" and "Etalon".

Several of the Group's brands represent so called nostalgia articles, for example, Regatt (originally released for the 1980 Olympic Games), Eskimo, Aurora and Klasika, which associate with memories from the past for adults.

At the same time, several brands enjoy the benefit of co-branding. For instance, the Group has started co-operation with the Estonian dairy producer AS Tere in Estonia, whereby AS Tere has introduced a yogurt under Väike Tom trademark and PTKH in turn has started offering ice cream containing pro-biotic bacteria ME-3 under brand name "Hellus". Moreover, the Group also uses the trademark Limpa and Lotte being popular cartoon characters in Estonia.

MATERIAL COMMERCIAL PARTNERS

FISH AND FISH PRODUCTS

As the fish and fish products business line of the Group is vertically integrated, the majority of the input needed for processing and sale of fish is obtained from Group entities. However, the input suppliers include also third party suppliers. The market for fresh fish is a commodities market, where sales occur mainly through trading. Therefore, the Group entities do not have written framework agreements with its major suppliers and sales are done mainly on order-by order basis. Therefore, the supply prices of the raw materials procured from third party suppliers may fluctuate.

The main clients of the Group's fish and fish products business line are located mainly in Finland and include all central Finnish companies and retail chains (such as SOK/Inex Parters Oy, Kesko, Lidl, Lähikauppa (Siwa, Valintatalo, Euromarket) and Stockmann). Other important customers include companies in the hotel, restaurant and catering industry, wholesale dealers and fish wholesalers. Reliable services, secure deliveries and long-term cooperation with customers have established a solid base for long-term partnership.

The Group's most important clientsfor fish and fish products in Estonia are Rimi Eesti Food AS, ETK and Prisma Peremarket AS, which are supplied by GH.

FROZEN FOOD

The Group does not process any of the frozen foods itself, but orders ready-made and packaged products from its suppliers. In terms of sales volume, the most important suppliers of frozen food products include Paljassaare Kalatööstus AS (frozen fish products bearing "Esva" brand), HK Ruokatalo OY (frozen meat products), Rose Poultry A/S (frozen chicken products), Aviko B.V (frozen potato products), Hortex (frozen vegetables), etc. The Group has written supply agreements with some of its major frozen foods suppliers, while the supplies with other suppliers are arranged on order by order basis. Such order based supplies, without any written framework agreements, are common in this sector. The written supply agreements are usually concluded using the standard forms of agreements provided by the suppliers.

The main clients of the Group's frozen foods business line include large retail chains in the Baltic region – Rimi Eesti Food AS, ETK, A-Selver AS, Maxima Eesti, Statoil Eesti AS, Prisma Peremarket AS in Estonia; Maxima Latvija SIA; Rimi-Latvia SIA, Palink SIA, MEGO SIA in Latvia; UAB Maxima LT, UAB Rimi Lietuva, UAB Palink, UAB Senukų prekybos centras, UAB Rivona in Lithuania. The agreements with major clients regulate the terms of delivery and the procedure of delivery and acceptance in detail. As a rule, the Group entity being party to the agreement (PTKH, FFL or KPC) delivers its products to the clients' retail stores or to their logistics centres. The agreements set out specific times for making orders and deadlines for making deliveries. All agreements with major clients set out various discounts, rebates, bonuses and marketing support fees in favour of the clients. Such discounts vary from client to client. It is customary that specific general discounts are agreed with major clients depending for each product category. It should be noted that the large retail chains hold rather strong market positions and are able to dictate the terms and conditions to their suppliers to a great extent. In addition to retail chains, HoReCa sector has a significant role in the Group's frozen food business.

ICE CREAM

The most important supplies for the Group's ice cream business line consist of sugar, milk products and vegetable fats, waffle, fillings, glazings and other value added products and packaging. None of the major suppliers is non-substitutable. Hence, should the supplies of any of the major suppliers cease or their prices or other terms become adverse, PTKH will be able to procure respective materials from other suppliers. However, it should be noted that the prices of most of the products necessary for the production of ice cream depend on the worldwide market prices. Therefore, the production costs of ice cream vary depending on the worldwide price levels of input (e.g prices of milk powders, cream, butter, sugar, etc).

In the Baltic region, the major clients for the Group's ice cream business line are the same retail chains as in the case of frozen food and ice cream is mostly provided under the same contracts as frozen food. Additionally, PTKH provides ice cream for private label brands and HoReCa sector in the Baltic region. However, such sales are rather important part of Group's ice cream business in all Baltic states.

The Group provides ice cream also to Finnish private label brands. PTKH has succeeded in becoming the co-operation partner to Inex Partners OY, who is the owner of one of the biggest chain stores in Finland, for the production and supply of Inex Rainbow series private label ice cream product.

INTELLECTUAL PROPERTY

The Group's operations are generally not dependent of patents, utility models or industrial designs or other such intellectual property. The factory equipment used in the production process has not been developed by the Group entities, but is purchased from equipment providers. The production processes do not require specific intellectual property licenses. The most important intellectual property in the production process of the Group entities is the product recipes, which cannot be registered and which can only be protected as business secret.

The Group owns a vast range of registered trademarks in Estonia, Latvia, Lithuania, Finland and Russia. The Group also holds various registered domain names www.premiafoods.eu, www.premiafoods.ee, www.premia.ee, www.vettel.ee, and www.gourmethouse.ee in Estonia, www.premia.lv and www.ffl.lv in Latvia, www.premia.lt, www.bravo.lt and www.jocker.eu in Lithuania, www.heimonkala.fi and www.saaristomerenkala.fi in Finland.

The Group entity PTKH has concluded several license agreements with the owners of various trademarks under which PTKH has obtained the right to use certain third party trademarks ("LIMPA", "Tere", "Hellus" and "Lotte") on the labels of its ice creams and in marketing materials in Estonia. PTKH has in turn granted the right to use its trademark "Väike Tom" under the license agreement concluded with AS Tere. According to the Management, cooperation with other companies in the field of intellectual property rights has proven to be quite beneficial for all parties.

Some of the Group entities (PTKH, FFL and KPC) are distributors of the frozen foods marked with trademarks owned by their suppliers (such as "Aviko", "Findus", "Apetit", "Esva", etc). The agreements with most major suppliers do not grant licenses to use their trademarks or other intellectual property owned by such suppliers in the activities of the Group, including their use for advertising and promotion activities. According to the certain agreements with the major suppliers marketing or advertising of the suppliers' goods must be always coordinated with the suppliers. As to the fact that promotion campaigns contribute to increase of the sales and creates additional value to trademarks, the risk that suppliers would file any claims against the Group with regard to infringement of their intellectual property rights is minimal.

RESEARCH AND DEVELOPMENT

Research and development activities of the Group are related mostly to the development of new products (new tastes and recipes). Such activities are generally not science intensive.

However, the Group entity PTKH has also co-operated with Competence Center of Food and Fermentation Technology in relation to improvement of product quality and development of functional products. Moreover, as a cooperative product with the Estonian dairy producer AS Tere, PTKH brought to the Estonian market the first ice cream containing pro-biotic bacteria Hellus in July 2009. The new vanilla ice cream Hellus (with chocolate-covered coating and strawberry jam ice cream) contains lactic acid bacteria Lactobacillus fermentum ME-3, developed on the basis of the licence of the University of Tartu, and LA-5. The bacteria Lactobacillus fermentum ME-3 is the world's first scientifically studied lactic acid bacteria that facilitate improvement of digestion and reinforcement of the immune system, but thanks to its natural antioxidant character it helps to fight cardio-vascular diseases. The product is a part of the Hellus series functional dairy products, which AS Tere has developed already for seven years.

COMPETITIVE POSITION

BASIS OF STATEMENTS

To the best of the Company's knowledge, no current, reliable and comprehensive reviews of the competitive situation in all the markets in which the Group operates are available (with the exception of a limited amount of data collected by AC Nielsen). As a consequence, in presenting the below overview of the competitive position of the Group in the relevant markets, the Management has relied principally on its own assessment and analysis of such competitive position. In doing so, the Management has used the market information obtained from AC Nielsen as well as the information collected by its own staff and advisors for such purpose, either available on the basis of public information or derivable from the same.

FISH AND FISH PRODUCTS

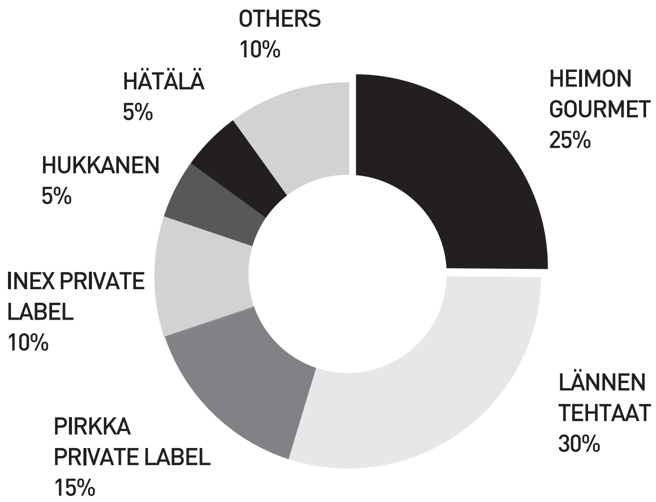
Thus far, the Group has not targeted its fish and fish products business line to the Baltic markets. Therefore, the Group's presence in the respective market in the Baltic region today is not significant yet. Nevertheless, the Group entity GH could be seen as the market leader in the wholesale of fresh fish in Estonia. However, according to the Management, the markets for the wholesale of fresh fish and fish products are rather wide and fragmented consisting of various different market participants. Therefore, GH cannot be regarded as holding dominant position in Estonia.

According to the Management, in Finland Heimon Kala's market share in retail market in chilled packaged fish is approximately 25% and the size of the retail market is approximately EUR 75 million (approximately EEK 1,173 million). There is also the deep frozen fish market with size of approximately 29 million EUR (approximately EEK 454 million). This is mainly HoReCa business, where HK has just entered. The main competitors are Apetit (Lännen Tehdaat) with market share in chilled fish sector also around 30%, Hukkanen, Chipsters. During year 2009, the sales of Apetit have been dropped by 15%, whereas sales of Heimon Kala have increased by 1%. HK is an actively developing company – Heimon Gourmet and Saaristomeren trademarks will be aimed at larger market areas in the future.

HK's delivery reliability and high quality are guaranteed by its overall process management from fish fry production up to the end product. The company's fish breeding and farming operations reduce a number of quality- and delivery-related risks. This has made HK a valued co-operation partner for major Finnish retailers and procured the satisfaction of consumers.

The Group sells also some quantities of fresh fish in Sweden, but its market share in Sweden is marginal yet, as sales to this market were just started.

The Group's market shares in the Finnish the retail market for packaged fish products have been illustrated below:



Source: AC Nielsen, Management's estimation, the Company's sales data 2009

FROZEN FOODS

The Group's target markets for the frozen foods business line are Estonia, Latvia and Lithuania.

According to the Management, in Estonia, the market share of PTKH with respect to the various frozen food products is as follows: vegetables and french fries – slightly below 40%; dumplings and meat – approximately 30%; fish and semi-ready fish products – approximately 30%. The Group's main competitors in the Estonian market for distribution of frozen foods are Balbiino, Maag, Uvic, LM Trading, RusHolod and main retail chains with their private labels.

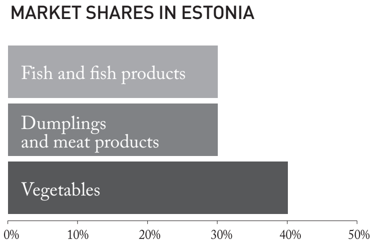
According to the Management, in Latvia, the market share of FFL with respect to the various frozen food products is as follows: vegetables and french fries – below 50%; dumplings and meat – approximately 30%; fish – approximately 30%. The Group's main competitors in the Latvian market for distribution of frozen foods are Koning, Ingman, VL servis, Rigas Miesnieks, Uvic, Viciniuai, Salas Zuvis and main retail chains with their private labels.

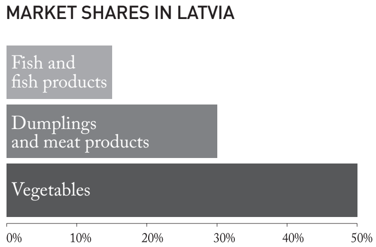
According to the Management, in Lithuania, the market share of KPC with respect to the various frozen food products is as follows: vegetables and french fries – approximately 25%; dumplings and meat – approximately 20%; fish and semi-ready fish products – 15%. The Group's main competitors in the Estonian market for distribution of frozen foods are Sanitex, Nowaco, Salu Zuvis, Viciunai, Judex, Mantinga, Liutukas and ko, Kaiciadoriu paukstynas, Nematekas, Krekenavos agro, and Abela.

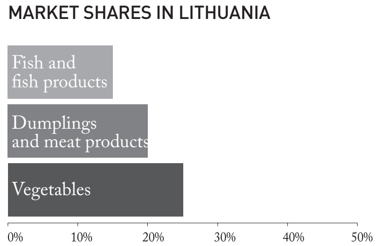
The market is characterised by high entry barriers, as the sunk costs into the equipment and facilities are high. At the same time, frozen foods represent only an insignificant segment of the whole food sector. Therefore, it takes time to earn back the investments. Hence, the current market players, who have already incurred the sunk costs, are in preferred position as the sources of potential competition are rather limited.

The relative competitive advantage of the Group as compared with its current competitors is its pan-Baltic presence. This allows its suppliers and clients to deal with one partner instead of having to establish relations with separate local market players in each Baltic market.

The Group's market shares in frozen goods markets in the Baltic states have been illustrated below:







Source: Management's estimation, the Company's sales data 2009

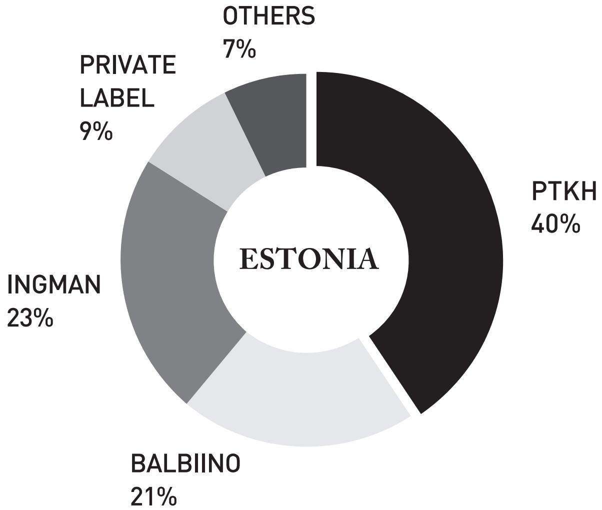
ICE CREAM

The Group's target markets for the ice cream business line are Estonia, Latvia and Lithuania. Approximately 35% of 30% of the Group's ice cream sales revenue is earned in Estonia, 30% in Lithuania, 20% in Latvia and the remaining 15% in Finland (private label) and Russia.

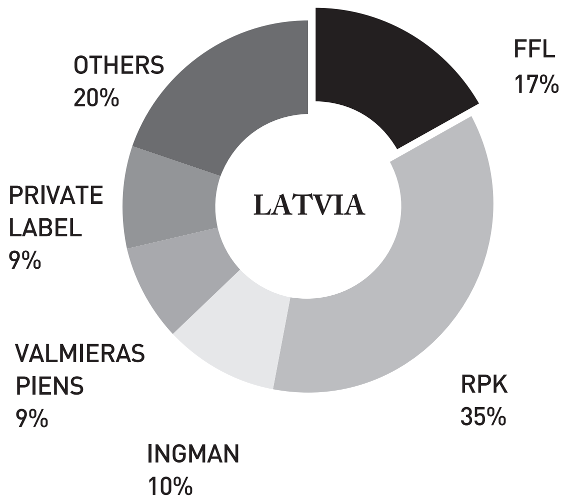
According to the AC Nielsen data (as at June and July of 2009), the Group is the market leader in the market for production and sale of ice cream in Estonia, having market share of approximately 40% (based on value share). Its main competitors are Ingman Group and AS Balbiino, having both a market share of slightly above 20%. In addition, private label brands represent around 9% of the market. In Latvia, the Group's market share is slightly over 11% and its main competitors are Rigas Piens Kombinats (37%), Ingman (10%) and Valmieras Piens (9%). In Lithuania, the Group's market share is around 20% and its main competitors are Ingman (19%), Vikeda (18%), Klaipedos Pienas (13%) and Pieno Zvaigzdes (11%). In St Petersburg area, OOO Khladokombinat No 1 holds second position with 20% market share and its main competitors are Petroholod with 22% of market share and Talosto with 18% of market share.

The Group's market shares in Estonian ice cream market have been illustrated below:

Source: Company's Annual Report 2009

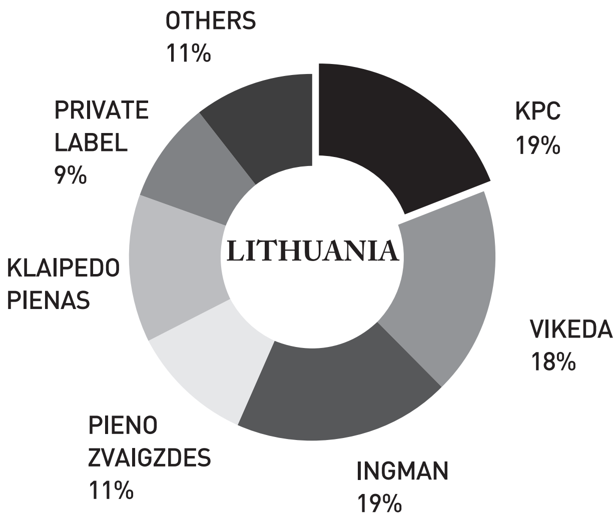


The Group's market shares in Latvian ice cream market have been illustrated below:



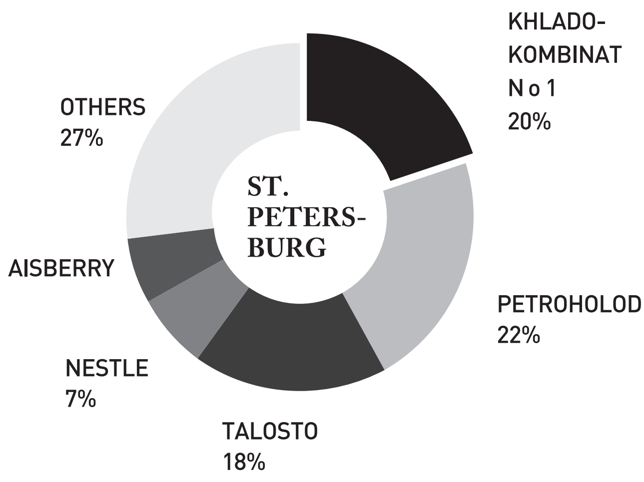
Source: AC Nielsen, Management's estimation, Company's sales data 2009

The Group's market shares in Lithuanian ice cream market have been illustrated below:



Source: Management's estimation, Company's sales data 2009

The Group's market shares in St Petersburg's ice cream market have been illustrated below:



Source: AC Nielsen, Value Shares, June-July 2009, Management's estimation

LICENSES, PERMITS AND REGISTRATIONS

OVERVIEW

Various Group entities are subject to different regulation as concerns regulatory compliance depending on the jurisdiction and areas of operation. The fish breeding facilities located in Finland and Sweden are subject to various environmental regulations concerning the fish breeding and prevention of diseases and require respective environmental permits. The production entities in Finland and Estonia are also subject to general environmental regulations and permit requirements (for instance relating to ambient air pollution or special usage of water). At the same time, food processing and food storing facilities are subject to sanitary regulations and require respective approvals or certificates. Furthermore, the requirements relating to waste and packaging management apply.

The operations of the Group are carried out in compliance with applicable laws and the Groups entities have obtain necessary licences, permits and registration or are in the processes of applying or renewing the same. Regulatory authorities have carried out inspections in the various Group entities over the past years, but in most cases not major non-compliances were established. Where non-compliance with the applicable requirements was established, the relevant Group entity took measures to rectify such non-compliance and the cases are closed by now.

ESTONIA

Applicable rules

According to Estonian law, all food business operators, which are engaged in handling of primary products of animal origin in a manner, which does not alter the initial shape and characteristics thereof, or in processing food, including manufacturing or packaging of food or in storing of food at temperatures different from room temperature in order to ensure the safety of food, must acquire an approval from the Estonian Veterinary and Food Board.

Moreover, Estonian law requires that all companies engaged in providing goods and services in its economic activity, whether as wholesale or retail, must register the place of business with the Estonian Register of Economic Activity. The validity of the registrations can be checked from the website of the Estonian Register of Economic Activities, located at http://mtr.mkm.ee. Companies are obliged to confirm the correctness of the registration every year by 15 April and in case of failure to confirm the registration in 15 days from the due date, Registrar will halt the validity of the registration and terminates the registration, if the correctness has not been confirmed in six months.

Moreover, the according to Ambient Air Protection Act, companies, whose air pollution levels exceed the enacted limits, must acquire ambient air pollution permit and according to Water Act, companies, whose conduct influences state of body of water or groundwater to extent stipulated in the Water Act, must acquire a permit for special use of water from the Environmental Board

Compliance with applicable rules

PTKH holds currently two valid approvals issued for unspecified term by the Estonian Veterinary and Food Board. The first approval No 191, dated 28 January 2003 was issued to the PTKH's production facility located at Betooni 4, Tallinn and it includes approval for storing food and raw material for food, more specifically packaged fresh domestic animal meat, bush meat, poultry and rabbit meat, piece meat products, meat products, minced meat, dairy products, French fries, fruits and roots, berries, pizzas, fish and fish products, sea delicacy, animal and vegetable fat, ice, pastry products. The second approval No 263, dated 9 October 2007 was issued to PTKH's facility located at Peterburi tee 42, Tallinn and it comprises approval for food processing in the field of packaged dairy ice cream and other frozen milk-based products, milk-based fruit and juice ice cream, fruit and juice ice, edible ice.

Vettel holds currently two valid approvals issued for unspecified term by the Estonian Veterinary and Food Board. Under the approval No 382, dated 19 April 2006, and the approval granted under Control Act No 2/439/2008, dated 16 April 2008, the Veterinary and Food Board granted Vettel an approval to be engaged in the production of fish products, more specifically, in the field of chilled, frozen, salted and minced fish, packaged crabs, fish preserves and vegetable products.

As regards registration with the Estonian Register of Economic Activity, PTKH holds currently 15 valid registrations for retailing, one valid registration for providing services and one valid registration for wholesale, Vettel holds currently one valid registration for retailing and one valid registration for wholesale, and GH holds currently one valid registration for wholesale.

To comply with the environmental regulations, PTKH has acquired two ambient air pollution permits, No L.ÕV.HA-176873 for the facility located at Peterburi tee 42, Tallinn and No L.ÕV.HA-176872 for the facility located at Betooni 4, Tallinn. Both ambient air pollution permits have been issued by the Environmental Board on 18 March 2008 and are valid without term. Under the permit for the facility located at Betooni 4, Tallinn, PTKH may release into air 0.706 tons of nitrogen dioxide, 0.706 tons of carbon monoxide, 0.047 tons of volatile organic compounds, 656.4 tons of carbon dioxide and 1.2 tons of ammonia per year. Under permit for the facility located at Peterburi tee 42, Tallinn, PTKH may release into air 0.202 tons of nitrogen dioxide, 0.202 tons of carbon monoxide, 0.013 tons of volatile organic compounds, 187.6 tons of carbon dioxide and 0.6 tons of ammonia per year.

Moreover, PTKH and Vettel also hold permits for special use of water issued by the Environmental Board. PTKH has acquired permit for special use of water concerning bore well located at Peterburi tee 42, Tallinn, which allows PTKH to extract water in amount of 47,450 m^3 per year. The permit is until 1 July 2014. Vettel has acquired permit for special use of water, which allows Vettel to utilize 250m^3 of groundwater in twenty-four hour period from three bore wells and to direct wastewater into receiving body of water. The permit is valid until 31 December 2013.

LATVIA

Applicable rules

Business activities in Latvia require special permits only in cases, if it is expressly prescribed by law. Accordingly, enterprises involved in any of the stages of food handling have to be recognized or registered in the Republic of Latvia, which is verified by a recognition number granted by the Latvian Food and Veterinary Service. The fact that operations of a food enterprise is recognized or registered certifies that the enterprise is able to continuously ensure compliance of its operations and products with the requirements set forth in the laws and regulations and is under supervision and control of the Latvian Food and Veterinary Service.

Compliance with applicable rules

Taking into account that several structural units of FFL perform food packaging, it has obtained Food Enterprise Approval Certificates issued by the Latvian Food and Veterinary Service. FFL holds currently two valid certificates issued for unspecified term – on 13 February 2008, approval No A 007504 was issued to FFL's branch located at Murmuizas iela 11b, Valmiera, for repackaging of meat and meat processing products and warehousing of food products, and on 25 February 2008, approval No A 001376 was issued to FFL's branch located at „Saldetavas", Smarde district, Tukums region for repackaging of food products and warehousing of food products.

LITHUANIA

Applicable rules

According to the Lithuanian law, companies engaged in processing food products must obtain certificate from the authorities.

Compliance with applicable rules

KPC holds currently one valid certification issued for unspecified term by the Kaunas city state food and veterinary agency. The certificate, with registration No 190002981, was issued on 26 March 2008 and it confirms that KPC has the right to conduct business in food processing in the following economic activities: custody and storage (major), and wholesale of other food products (additional).

FINLAND

Applicable rules

Finnish law contains permit and approval requirements whereby, inter alia, activities that may in general cause pollution or contamination of environment or that relate to animal transport require permit by competent authorities. Moreover, as a general rule, premises where food is manufactured, transported, stored, sold, served or otherwise handled (food processing premises) must be approved by a supervisory authority.

According to the Finnish Environmental Protection Act (86/2000, as amended) environmental permit is needed for all activities that may in general lead to pollution of air or water or contamination of the soil. The Environmental Protection Decree (169/2000, as amended) further specifies activities, which are always considered to require environmental permit. Such activities include, inter alia, processing and breeding of fish.

According to the Finnish Food Act (2006/23, as amended) food premises must be approved by the competent supervisory authority before they are taken into use and also in the event of substantial change in activities of the respective party. The main purpose of pre-approval of food premises and other food control is to ensure, *inter alia*, that food is safe and is handled safely and that the quality of food is sufficient.

Transfer of live animals is regulated under the Finnish Animal Transport Act (1429/2006, as amended) as well as under Council Regulation (EC) No 1/2005 on the protection of animals during transport and related operations. According to the Animal Transport Act, transfer of fish in conjunction with commercial activity requires a license granted by competent authority. Business operations of HK are subject to animal transfer license.

Compliance with applicable rules

HK has been issued two environmental permits, one for the Hämeenlinna site (granted on 20 October 1996 by environmental board of the municipal federation for national health work in Hämeenlinna region) and the other for fish processing activity Uusikaupunki site (granted on 21 April 2009 by the environmental and licensing board of the city of Uusikaupunki). The validity of the permits is not limited in time.

HK has also been granted several environmental permits for fish breeding, storing of fish in net reservoirs during winters and piping of water. Some of these permits have expired and are currently subject to renewal. Appeals on three permits, which are to be renewed, are pending in the Finnish Supreme Administrative Court. The details of such permits are set out below:

- Permit for breeding of fish in net reservoir at the site located at Pukkeenluoto, Kustavi municipality, the permit is pending Supreme Administrative Court;
- Permit for breeding of fish in net reservoir at the site located at Hupaniitty, Kustavi municipality, the permit is pending Supreme Administrative Court;
- Permit for breeding of fish in net reservoir at the site located at Ytterstö, Iniö municipality, valid until 31 December 2014;
- Permit for breeding of fish in net reservoir, at the site located at Mossala, Houtskari municipality, valid 31 December 2014;
- Permit for breeding of fish in net reservoir at the site located at Stornäset, Houtskari municipality, valid 31 December 2014;
- Permit for breeding of fish in net reservoir at the site located at Bästholmen, Houtskari municipality, valid 31 December 2014;
- Permit for breeding of fish in net reservoir at the site located at Alöarna, Houtskari municipality, valid 31 December 2014;
- Permit for breeding of fish in net reservoir at the site located at Penlot, Houtskari municipality, valid 31 December 2014;
- Permit for storing of fish in net reservoirs during winters at the site located at Långholmen, Houtskari municipality, valid 31 December 2014;
- Permit for breeding of fish in net reservoir at the site located at Norrskata, Korppoo municipality, the application for the permit is pending;
- Permit for breeding of fish in net reservoir at the site located at Storströmmen, Korppoo municipality, valid 31 December 2011;
- Permit for storing of fish in net reservoirs during winters at the site located at Wattkast, Korppoo municipality, the application for the permit is pending.

All the permits listed above were granted by the Environmental Permit Agency of Western Finland. Please note that as of 1 January 2010 onwards the tasks of the Environmental Permit Agency of Western Finland have been transferred to the Regional State Administrative Agency of Southern Finland.

HK has also been issued licenses for food premises located at Rajatie 6, Renko Hämeenlinna (granted on 20 May 2009 by city of Hämeenlinna) and to the fish processing factory located at Suukari, Uusikaupunki (granted on 3 September 2009 by the director of environmental health of the city of Uusikaupunki), according to which the premises have been approved pursuant to the Food Act. The validity of the licenses is not limited in time. These premises have also been included in the publicly available list of approved establishments handling fishery products maintained by Finnish Food Safety Authority (EVIRA). EVIRA is Finnish authority that controls and inspects the quality and safety of food products as well as of the production input of agriculture and forestry, the health and wellbeing of animals as well as plant health.

HK holds animal transportation license, granted by the County Administrative Board of Western Finland, which is valid until February 2013.

According to the Management the current licenses, permits and consents are sufficient for conducting the activities of HK in their current scope.

SWEDEN

Applicable law

Under Swedish law, fish breeding operations (or "aquaculture") and slaughtering fish are deemed as environmental hazardous activities. Such operations require either a permit from the County Administrative Board or submission of notice to the environmental and health board of the municipality, depending on the amount of fodder used in the fish breeding annually. Fish breeding or fish hibernation, where more than 40 tons of fodder is used annually, is a licensable operation, while fish breeding or fish hibernation, where more than 1.5 tons of fodder is used annually, is only an operation subject to notification.

Moreover, according to the Fishery Decree, which is aimed at preventing the spreading of fish disease and unwanted fish species, permit from the County Administrative Board is required for fish breeding operations.

Transfer of live fish for commercial purposes must be registered with the Swedish Board of Agriculture. Such registration is valid for two years and must thus be renewed when the registration has expired. Furthermore, employees who carry out the transfer of live fish must have necessary training and the means of transportation that are used within the operation must meet certain requirements.

Compliance with applicable rules

SF has been granted the following permits:
- Fish breeding permit at Utanende, in Ragunda for 36 tons of fodder annually;
- Fish breeding permit issued by the County Administrative Board on 24 March 2009 under the Fishery Decree.

ÖF has been granted the following permits:
- Fish breeding permit at Luspholmen (Luspen 14:2) granted by the County Administrative Board on 5 August, 1998;
- Slaughter of fish permit at Luspholmen (Luspen 14:1) granted by the County Administrative Board on 22 June 2000;
- Fish breeding permit at Ankarsund granted by the County Administrative Board on 29 February 2008.
- Permit issued by the Swedish Board of Agriculture on 5 November 2007 for handling of certain materials;
- Permit issued by the Swedish National Food Administration of 11 October 2006 as regards approval of a food plant at Luspholmen (Luspen 14:1 and 14:2);
- Fish breeding permit issued by the County Administrative Board on 14 September 1998 for Luspholmen (Luspen 14:2) under the Fishery Decree;
- Fish breeding permit issued by the County Administrative Board on 24 June 2002 for Ankarsund under the Fishery Decree;
- Permits to plant fish issued by the County Administrative Board on 16 October and 16 November 2007 under the Fishery Decree.

During 2008, the County Administrative Board recorded some deficiencies in regard to ÖF's operations and with respect to compulsory self control. ÖF took measures to remove such shortcomings and the proceedings by the authority have been closed by now.

LEGAL AND ARBITRATION PROCEEDINGS

Certain Group entities are or have been during the 12 months preceding the date of this Prospectus a party to some minor civil court cases and claims as well as administrative proceedings that have arisen in the ordinary course of business. However, none of the Group entities have been during the 12 months preceding the date of this Prospectus and are not currently involved in any proceedings, which may have or have had a material adverse effect on the Company's financial condition or profitability. Nevertheless, the overview of the most significant proceedings has been given below.

LATVIA

During the course of 2009, FFL was involved in a dispute with Polish company Kilargo Sp.Z.o.o. concerning the use of trademarks Bomba and Rolls Ice. Kilargo Sp.Z.o.o. is the registered owner of the Community Trademark /fig/ "Kilargo Bomba ICE" as well as /fig/ "Kilargo Rolls Ice". FFL distributed products of Kilargo Sp.Z.o.o. bearing trademarks Bomba and Rolls Ice. Kilargo Sp.Z.o.o. filed a claim with Riga Regional Court requesting the court to prohibit FFL and to order to recall the infringing products and destroy packaging of such products. It also filed objections with the Latvian Patent Office to challenge the registration of the trademark "Bomba" by FFL. At the same time, FFL raised a claim against SIA VK Serviss, distributor of Kilargo ice cream in Latvia, based on unwarranted application of FFL name on Kilargo Sp.Z.o.o.'s ice cream packaging. FFL requested to prohibit further distribution of improperly labeled products. Currently, FFL and Kilargo Sp.Z.o.o. have signed out of court settlement, which states that FFL and Kilargo Sp.Z.o.o. discontinue distribution of debatable ice cream, both sides resign from any further claims and in particular Kilargo Sp.Z.o.o. recalls the claim from Riga Regional Court.

SWEDEN

ÖF has two litigations pending at the Environmental Court with the District Court of Umeå, commenced on 23 September and on 9 October 2009. In the first dispute ÖF has appealed the County Administrative Board's decision concerning prohibition for ÖF to transfer fish from one fish breeding to another.

The other dispute, in which ÖF is the defendant, concerns an appeal against the County Administrative Board's decision on ÖF's production level with regard to slaughter of fish during 2009. It is not expected that a negative outcome for ÖF in any of these litigations will give rise to any negative consequences or costs for ÖF. However, the accuracy of this conclusion is very difficult for us to assess.

PROPERTY, PLANTS AND EQUIPMENT

FIXED ASSETS

As the Group started operating under its current organisational structure only from the beginning of 2009, no consolidated audited annual figures on the changes in the fixed assets of the consolidation group over the earlier periods are available. Therefore, the information below is provided company by company.

PTKH

PTKH's fixed assets comprise objects in the ownership of the PTKH and objects being used under financial and operating lease. As at 31 December 2009, the residual value of the fixed assets in the ownership of PTKH equalled to EUR 4,182,646 (EEK 65,444,189). The most important fixed assets of PTKH include cold storage plant, ice cream factory, land (Peterburi tee 42) and machinery (refrigeration equipment, production lines).

The fixed assets, which PTKH uses under operational leasing arrangements, include 30 motor vehicles with leasing agreements ending mostly in 2010-2011. Moreover, PTKH uses certain fixed assets such as refrigerators and ice cream production line machinery also under financial leasing agreements. Both the operational and financial lease arrangements have been entered into with AS SEB Liising.

The movable property of PTKH has been encumbered with four commercial pledges in favour of AS SEB Pank in the total pledge amount of EUR 2,939,936 (EEK 46,000,000).

KPC

KPC's fixed assets comprise objects in the ownership of the KPC and objects being used under financial and operating lease. As at 31 December 2009, the residual value of the fixed assets in the ownership of KPC equalled to EUR 944,309 (EEK 14,775,225). The most important fixed assets of KPC include freezers, ice cream-carts, vehicles and office equipment such as computers, printers, etc.

The total value of the fixed assets taken on financial lease by KPC amounted to ca. EUR 756,740 (EEK 11,840,408) as at 31 December 2009. The fixed assets, which KPC uses under leasing arrangements with UAB Danske lizingas and one with "Swedbank Lizingas" UAB, include electric hoists, freezers, ice cream-carts, vehicles and IT equipment with leasing agreements ending mostly in 2011-2013. Under Lithuanian laws, the leasing companies register financial leasing agreements with the Lithuanian register of agreements in order to invoke the agreements against the third parties.

FFL

FFL's fixed assets comprise objects in the ownership of the FFL and objects being used under financial leasing. As at 31 December 2009, the residual value of the fixed assets in the ownership of FFL equalled to EUR 3,349,565 (EEK 52,409,304). The most important fixed assets of FFL include vehicles, equipment, buildings and real estate.

The fixed assets, which FFL uses under financial leasing arrangements, include 84 motor vehicles with leasing agreements ending mostly in 2010-2013. Most of the financial leasing agreements have been concluded with SEB Līzings.

The assets of FFL (including stocks, intangible investments, deposits, rights of claim, securities, bonds, other shareholding and tangible fixed assets) have been encumbered with two commercial pledges – the first ranking commercial pledge in favour of AS UniCredit Bank in the amount of EUR 1,365,957 (EEK 21,372,583) and the second ranking pledge in favour of A/S Swedbank in the amount of EUR 1,637,946 (EEK 25,628,286).

HK

As at 31 December 2009, the aggregate book value of the fixed assets of HK equalled to EUR 2,345,110 (EEK 36,692,998) (of which assets of HK's totalled EUR 1,207,178 and assets of Saaristomeren Kala Oy totalled EUR 1,137,932 (EEK 17,804,767). The most valuable fixed assets include buildings and expansions thereof, aggregate value of which totals EUR 1,045,066 (EEK 16,351,730) and real estate, aggregate value of which totals EUR 234,164 (EEK 3,663,870).

The assets (other than real estate and other assets that can be mortgaged) of HK have been encumbered with floating charges (Finnish equivalent to commercial pledge) in the aggregate amount of EUR 2,165,222 (EEK 33,878,362). All the floating charges are in the possession of Sampo Bank plc (subsidiary of Danske Bank), which has given bank guarantee to Varma Mutual Pension Insurance Company as collateral for loans granted by Varma to HK and Saaristomeren Kala Oy (upon merger the latter loan has been assigned to HK).

SF

As at 31 December 2009, the aggregate net book value of the fixed assets of SF equalled to EUR 424,986 (EEK 6,649,586). The most valuable fixed assets include land and buildings, aggregate value of which totals EUR 212,402 (EEK 3,323,369) and fish farming machinery and equipment, aggregate value of which totals EUR 212,585 (EEK 3,326,232).

The assets (other than real estate and other assets that can be mortgaged) of SF have been encumbered with a floating charge in the aggregate amount of SEK 668,000 (EEK 1,017,103 or EUR 65,005) in favour of the County Administrative Board of Västernorrland as a security for received EC subsidies.

ÖF

As at 31 December 2009, the aggregate net book value of the fixed assets of ÖF equalled to EUR 1,043,588 (EEK 16,328,604). The most valuable fixed assets include land and buildings, aggregate value of which totals EUR 245,044 (EEK 3,834,105), machinery, aggregate value of which totals EUR 293,857 (EEK 4,597,863), and ongoing building projects regarding fixed assets, aggregate value of which totals EUR 500,410 (EEK 7,829,715). Ongoing projects include investment into Ankarsund fish farming expansion and new automatic fish feeding system. In spring 2008, ÖF was granted with a double fold increased farming volume in Ankarsund. Necessary investments were carried out by fall 2008. At the same time ÖF applied for EU subsidies. Due to the Swedish regulations these investments should be reflected under "construction in progress" until the decision on EU subsidies has been made. Decision on EU subsidies in amount of SEK 1,197,708 (EEK 1,823,642 or EUR 116,552) has been made as of 10 March 2010 and paid out on 11 March 2010.
The assets (other than real estate and other assets that can be mortgaged) of ÖF have been encumbered with a floating charge in the aggregate amount of SEK 1,000,000 (EEK 1,522,610 or EUR 97,313) in favour of the County Administrative Board of Västernorrland as a security for received EU subsidies.

VETTEL

Vettel's fixed assets comprise objects being used under operating lease. As at 31 December 2009, the residual value of the fixed assets in the ownership of Vettel equalled to EUR 2,801,208 (EEK 43,829,381). The most important fixed assets of Vettel include buildings (cold storage, culinary department of factory, etc), land (registered immovable in Saaremaa, registered under the name Kärsa) and machinery (culinary production line, filleting line, packaging line, etc.). In 2008, the amount of fixed assets of Vettel increased on account of building of new slicing department to the factory and purchase of packaging line with the value of around one million euros.

In addition to fixed assets in the ownership, Vettel has concluded 12 operational leasing agreements with Swedbank Liising AS, Inchape Liising AS and Elion Ettevõtted AS. Under these operational leasing agreements, ending in 2010-2011, Vettel uses seven motor vehicles and six computers.

The movable property of Vettel has been encumbered with a commercial pledge in favour of UniCredit Bank AS in the total pledge amount of EEK 10,000,000 (EUR 640,000).

GH

GH has concluded three operational lease agreements with Danske Bank A/S, under which GH uses three motor vehicles, and one financial leasing agreement concerning pasteurization machine, vacuum coverer and two refrigerator chambers. The leasing agreements end in 2010-2011.

LAND AND BUILDINGS OWNERSHIP

The Company itself does not own or lease any real estate.

PTKH

PTKH currently owns a real estate located at Peterburi tee 42, Tallinn, with total area of 33,076 m^2. Currently, ice cream production factory is located on the immovable. The immovable is encumbered with five mortgages in aggregate amount of EUR 9,267,189 (EEK 145,000,000). Mortgages from the first to the fourth rank are established in favour of AS SEB and the fifth ranking mortgage has been established in favour of Danske Bank A/S to secure PTKH's obligations arising out of loan and overdraft agreements with the banks.

KPC

Further to the termination of the ice cream production operations of KPC, all the real estate of KPC, which consisted mostly of ice cream production facilities, was sold to UAB "KPC nekilnojamas turtas" in March 2007. Currently, KPC does not own any real estate.

FFL

FFL owns a real estate consisting of land plot in area of 9,597 m^2 located at Saldetava, Smarde county, Tukuma district, and five non-residential buildings located on the land plot, including refrigeration plants (freezers), compressor building, pass office/picket, and administrative building). The real estate is encumbered with mortgage in favour of AS UniCredit Bank with the mortgage amount of EUR 1,365,957 (EEK 21,372,583) to secure the obligation of FFL arising out of loan agreement with AS UniCredit Bank.

In addition to the real estate owned by the FFL, it owns buildings that are located on the land plots, which belong to third parties and which FFL uses on the basis of long-term lease agreements.

Firstly, FFL owns two buildings (a wholesale outlet and a freezer) located at Murmuizas iela 11B, Valmiera, Valmiera district. FFL leases the land plot, where the buildings are located, from two private persons. The total area of the leased land plot is 2,770 m^2. The lease has been registered with the Latvian Land Register and the lease is valid until 1 June 2027. The rent for the land usage is 5% of market value of the leased land plot, whereas as of 1 January 2010 the market value is determined based on the value of similar land plots in the area of Valmiera city. The buildings belonging to FFL have been encumbered in favour of A/S Swedbank with the mortgage amount of EUR 1,091,963 (EEK 17,085,508) to secure FFL's obligations arising out of credit line agreement with A/S Swedbank.

Secondly, FFL owns a building (machinery depot) located at Jauna iela 3, Smarde, Smarde county, Engure region. FFL leases the land plot, where the building is located, from Smarde County Council. The total area of the leased land plot is 16,590 m^2. The lease is valid until 10 May 2016, however, at the time being the lease agreement is not registered with the Land Register. The annual rent for the land usage is EUR 4,721 (EEK 73,868). No encumbrances are registered in respect of this real estate.

HK

HK owns (i) one piece of real estate in Hämeenlinna, the area of which is 1,6535 hectares, (ii) three pieces of real estate in Kustavi, total land area of which is 3,413 hectares and water area of which is 3,75 hectares, and (iii) three pieces of real estate in Länsi-Turunmaa, total land area of which is 1,823 hectares and water area of which is 17 hectares.

The real estate in Hämeenlinna is primarily used for collecting and delivery of fish, in addition to which it also includes building with office premises. The pieces of real estate in Länsi-Turunmaa (registration numbers 445-667-8-24, 445-663-12-1, 445-663-12-0) are used for breeding of fish. There is no business activity in any of the three pieces of real estate located in Kustavi.

Three pieces of real estate owned by HK in Hämeenlinna and Länsi-Turunmaa are encumbered by mortgages, the aggregate amount of which is EUR 1,394,382 (EEK 21,817,337). In total EUR 899,183.18 (EEK 14,069,160) of the mortgages have been pledged to Sampo Bank plc. The remaining mortgage securities in the amount of EUR 495,199 (EEK 7,748,177) are in possession of HK itself (i.e. not given as collateral to creditors of HK or to other third parties).

In addition, HK owns one building situated on a real estate leased from the municipality of Korppoo.

SF

SF owns three real estates, all three located in the municipality of Ragunda:

- Utanede 3:121, with the area of 1.47 hectare. A fish farming building is located on the real estate. The real estate has been encumbered with three property mortgages in a total amount of SEK 2,152,000 (EEK 3,276,657 or EUR 209,417) in favour of the County Administrative Board of Jämtland as security for received EC subsidies.
- Utanede 3:120, with the area of 1.07 hectare. A fish farming building is located on the real estate.
- Österede 1:70, with the area of 3,271 m^2. A house attached to SF employee's post is located on the real estate. Three property mortgages in a total amount of SEK 237,000 (EEK 360,859 or EUR 23,063) have been issued in the real estate. However, these property mortgages have not been pledged and are currently held by SF.

ÖF

ÖF owns four real estates, all four located in the municipality of Storuman:

- Luspen 14:1, with the area of 2.82 hectare. A fish slaughterhouse is located on the real estate.
- Luspen 14:2, with the area of 9,614 m^2. Warehouses, fish food stores and different fish farming facilities are located on the real estate. The real estate has been encumbered with nine property mortgages in a total amount of SEK 2,800,000 in favour of the County Administrative Board of Västernorrland as security for received EC subsidies.
- Ankarsund 1:57 with the area of 1.06 hectare. An old school building, mainly used by ÖF during summer as employees' social and office estate, is located on the real estate.
- Ankarsund 1:83, with the area of 2,198 $m^{2,}$ used for fish farming operations. A fish food store (approximately 400 m^2) is located on the real estate.

VETTEL

Vettel currently owns a real estate named Kärsa, located at Pihtla borough, Suure-Rootsi village with area 36,476 m^2. The intended purpose of the immovable is production land and currently a cold storage plant, the culinary department of factory, a sewage plant treating technological waste waters, a pump building, the fishery department of factory, a building for fyke nets, a fishermen building, a warehouse, the department of factory for smoked fish, a cold storage plant for fast freezing, a garage, a compressor room and a fish pump room are located on the immovable. The real estate is currently encumbered with six mortgages in the total mortgage amount of EUR 5,112,932 (EEK 80,000,000). The first ranking mortgage has been established in favour of the Republic of Estonia and all other mortgages have been established in favour of UniCredit Bank AS to secure the obligation of Vettel arising out of loan agreements with the bank. In addition to the aforementioned, the immovable has been encumbered with personal right to use for a fee in favour of Harrington OÜ for erection of wind mills and with personal right to use for a fee in favour of Jaotusvõrk OÜ in order to operate power network.

LEASED PREMISES

PTKH

PTKH used to own the real estate located at Betooni 4, Tallinn, which hosts cold storage premises. On 9 September 2008, PTHK sold the real estate to Eften Kinnisvara AS. Despite the sale, PTKH continues using the cold storage premises located at the real estate under the lease agreement entered into with Eften Kinnisvara AS for the monthly rent of EUR 47,100 (EEK 736,975) plus VAT and utility fees. The lease expires on 9 September 2018.

In addition, PTKH leases several warehouse premises in Estonia. Firstly, it leases premises located at Ravila 59, Tartu, with area of 144 m^2, from Tiigi Keskus AS. This lease is for an unspecified term and can be terminated by either party with three months prior written notice. Secondly, it leases premises located at Rägavere tee 44, Rakvere, with total area 53.9 m^2 (office premises 23.3 m^2 and warehouse premises 30.6 m^2) from Rakvere Autobaas OÜ. The lease is for an unspecified term, and can be terminated by either party with one month prior written notice. Thirdly, PTKH leases premises located at Parmu 6, Pärnu, with area of 920.8 m^2 from Nematode Finance OÜ. The lease expires on 31 August 2010.

KPC

KPC uses various warehouse and office premises under eight lease agreements with third parties. The most significant leased premises include (i) storage and office premises located at Taikos av. 94, Kaunas, with area of 1,075 m^2, leased from UAB Kauno žuvis; (ii) storage premises located at Šilutės str. 9, Klaipėda, with area of 1.320 m^2, leased from UAB Ketonas; (iii) storage and office premises located at Basanavičiaus str. 129, Šiauliai, with area of 246.41 m^2, leased from UAB Novitela; (iv) storage and office premises located at V. A. Graičiūno str. 2, Vilnius, with area of 526.25 m^2, leased from UAB Žuvies šaldytuvai, (v) office premises located at Taikos av. 96, Kaunas, with area of 440.96 m^2, leased from UAB Kauno žuvis. All the agreements are short term leases and may be easily terminated by KPC or the landlord.

FFL

FFL uses currently two office premises under lease agreement from third parties. Firstly, it leases premises located at Uzavas iela 8, Ventspils, with area of 35.4 m^2, from Nekustamā īpašuma pārvalde. Secondly, FFL leases premises located at Meza iela 4, Riga, with total area of 244.5m^2, from Mr Andrejs Vinniks. Both agreements are short term leases and may be easily terminated by FFL or the landlord.

HK

HK has leased real estate, premises and water areas from other companies, public entities, private persons and local fishery associations under 18 separate lease agreements. The aggregate amount of annual rent under the aforementioned agreements is EUR 242,409.30 (EEK 3,792,881).

The most valuable lease agreements, entered into on 9 May 2008, relate to business premises in Uusikaupunki leased by HK from Kalasataman Kiinteistöt Oy, which premises are used for processing of fish. The aggregate monthly rent for these premises totals EUR 13,070 (EEK 204,501) and the fixed lease period is ten years. In spite of the fixed term, however, after six years HK may terminate the lease agreement by no less than 12 months' prior written notice.

Other lease objects comprise mostly water areas, where fish is being grown, along with a real estate leased from the municipality of Korppoo comprising of both land and water area. The real estate and the building situated thereon are used for breeding of fish. Furthermore, HK has leased premises such as a cold storage used in processing of fish in Uusikaupunki and an apartment in Korppoo, which is used for lodging of employees of HK. All of the leased premises, water areas and the real estate are located in Southwestern Finland.

The leases have not been registered with the land register.

ÖF

ÖF leases two real estates: the water area in front of the real estate Storuman Ankarsund 1:83, with the area of approximately 28,500 m^2 and part of the real estate Storuman Luspen 1:5, with the area of approximately 6,000 m^2. Both leased real estates are used for fish farming and host no facilities, but only floating fish farming equipment.

EMPLOYEES

Company	Employees as at 31.12.2007	Employees as at 31.12.2008	Employees as at 31.12 2009	Breakdown of employees as 31. December 2009
Company	-	-	-	-
KPC	103	102	95	Logistics 47 Sales 32 Administrative 16
PTKH	220 (incl 7 on maternity leave)	210 (incl 6 on maternity leave)	201 (incl 9 on maternity leave)	Production 72 Logistics 32 Sales 30 Other 67
FFLS	-	-	-	-
FFL	163	146	111	Logistics 61 Sales 38 Administrative 12
TCS	-	-	-	-
SMK	1	4	3	Administrative 3
HK (incl. Saaristomeren Kala Oy)	93	82	72	Production 55 Logistics 4 Sales 8 Administrative 5
Vettel	67	86	81	Production 69 Logistics 10 Administrative 2
GH	2	2	2	Administrative 2
ÖF	7	11	13	Production 13
SF	3	4	3	Production 3
Total	**659**	**647**	**581**	

Most of the employment contracts of the Group have been concluded for an indefinite term and the number of temporary employees is not significant. However, during high season of ice cream production from March to August, PTKH hires additional 30 employees. Additionally, ÖF has proportionally a significant share of temporary employees (more than half) out of the total number of its employees.

RELATED PARTY TRANSACTIONS

The Group entities have entered into certain agreements with related parties. The most relevant and material of the recent and on-going agreements (excluding intra-group party transactions) are the following:

- Loan agreement between the Company and Amber Trust S.C.A II, dated 6 April 2009. Amber Trust S.C.A II is the majority shareholder of the Company. Pursuant to the agreement, Amber Trust S.C.A II has granted the Company with an unsecured loan in the amount of EUR 1,257,500 (EEK 19,675,600) with the effective annual interest rate of 12.67%.
- Loan agreement between PTKH and Amber Trust S.C.A II, dated 3 December 2008. Amber Trust S.C.A II is the majority shareholder of the Company. Pursuant to the agreement, Amber Trust S.C.A II has granted PTKH with an unsecured loan in the amount of EUR 2,000,000 (EEK 31,293,200) with the effective annual interest rate of 8.87%. In addition to the shareholder loans described in this Section, there are numerous intra-group loans, which have all been executed on market terms.
- Consultation agreement between the Company and Rododendron OÜ, dated 1 March 2009. The sole shareholder of Rododendron OÜ is the member of management board of the Company, Mr Kuldar Leis. Pursuant to the agreement, Rododendron OÜ provides management services to the Company and its subsidiaries in Estonia, Latvia, Lithuania, Finland and Russia. Rododendron OÜ receives a monthly payment in the amount of EEK 20,000 (+VAT) (EUR 1,278). Besides the monthly fee, Rododendron OÜ has a right to demand the reimbursement of travel expenses that have been agreed with the Company. Penalty for late payment is 0.1% per day in delay. The agreement has been concluded for an indefinite term and may be terminated by giving two months' prior written notice.
- Consultation agreement between the Company and Footsteps Management OÜ, dated 1 March 2009. The sole shareholder

of Footsteps Management OÜ is the member of management board of the Company, Ms. Katre Kõvask. Pursuant to the agreement, Footsteps Management OÜ provides marketing related management services to the Company and its subsidiaries in Estonia, Latvia, Lithuania, Finland and Russia. Footsteps Management OÜ receives a monthly payment in the amount of EEK 20,000 (+VAT) (EUR 1,278). Besides the monthly fee, Footsteps Management OÜ has a right to demand the reimbursement of travel expenses that have been agreed with the Company. Penalty for late payment is 0.1% per day in delay. The agreement has been concluded for an indefinite term and may be terminated by giving two months' prior written notice.

- Consultation agreement between the Company and Freespirit OÜ, dated 1 March 2009. The sole shareholder of Freespirit OÜ is the member of management board of the Company, Mr Silver Kaur. Pursuant to the agreement, Freespirit OÜ provides sales related management services to the Company and its subsidiaries in Estonia, Latvia, Lithuania, Finland and Russia. Freespirit OÜ receives a monthly payment in the amount of EEK 20,000 (+VAT) (EUR 1,278). Besides the monthly fee, Freespirit OÜ has a right to demand the reimbursement of travel expenses that have been agreed with the Company. Penalty for late payment is 0.1% per day in delay. The agreement has been concluded for an indefinite term and may be terminated by giving two months' prior written notice.
- Consultation agreement between the Company and Kamakamaka OÜ, dated 31 March 2009. The sole shareholder of Kamakamaka OÜ is the member of supervisory board of the Company, Mr Erik Haavamäe. Pursuant to the agreement, Kamakamaka OÜ provides to the Company and enterprises belonging to the same group management accounting services, analysis and consultations regarding mergers and takeovers of companies and services related to organising communication between the shareholders and banks regarding financing possibilities. Kamakamaka OÜ receives a monthly payment in the amount of EEK 100,000 (+VAT) (EUR 6,391). Besides the monthly fee, Kamakamaka OÜ has a right to demand the reimbursement of travel expenses that have been agreed with the Company. Penalty for late payment is 0.1% per day in delay. The agreement has been concluded for an indefinite term and may be terminated by giving six months' prior written notice.
- Agreements between the Company, PTKH, AS Nordic Foods, OÜ Rododendron, OÜ Freespirit and OÜ Footsteps Management, dated 1 June 2009, under which the initial loan agreement between PTKH (lender) and AS Nordic Foods (borrower, a company (under liquidation) belonging to Mr Silver Kaur, Ms. Katre Kõvask and Mr Kuldar Leis) was restructured into a loan agreement between PTKH (lender) and the Company (borrower). According to the loan agreement, OÜ Rododendron, OÜ Freespirit and OÜ Footsteps Management (sureties under the loan agreement, guaranteeing performance of the obligations of AS Nordic Foods) transferred respectively 9,925, 2,809 and 3,468 shares of the Company to the Company for the purchase price of EUR 15.7 (EEK 246), which was determined on the basis of the last subscription price of the shares of the Company. In turn, the Company assumed the debt of AS Nordic Foods in front of PTKH. The assumption of the obligations by PF was transformed into loan agreement between the Company and PTKH with the amount of EUR 254,735 (EEK 3,985,740), with an annual interest rate of 4% and maturity on 30 June 2012.
- Sale and purchase agreement between KPC and UAB "KPC nekilnojamas turtas" relating to the real estate of KPC, dated 2 March 2007 for the price of EUR 2,478,684 (EEK 38,782,977). At the time of concluding the agreement, the purchaser UAB "KPC nekilnojamasis turtas" was a 100% subsidiary of KPC.
- Share purchase agreement between KPC and Amber Trust II S.C.A, dated 10 December 2008, whereby KPC purchased from its then sole shareholder Amber Trust II S.C.A. 355,959 own shares at the price LTL 11.64 per share and sold on at the same price to OÜ Footsteps Management, OÜ Nordelor (company owned by the then management board of PTKH), OÜ Freespirit and Kamakamaka OÜ pursuant to share purchase agreements, dated 12 December 2008. KPC also issued 756,358 new shares of KPC at the price of LTL 11.64, which were acquired by OÜ Rododendron and OÜ Freespirt under share subscription agreements, dated 12 December 2008. After these transactions Amber Trust II S.C.A., OÜ Footsteps Management, OÜ Nordelor, OÜ Freespirit, Kamakamaka OÜ and OÜ Rododendron became shareholders of KPC. On 14 January 2009, the aforementioned shareholders of KPC transferred the shares of KPC as a non-monetary contribution into the authorised capital of the Company and respectively subscribed for the shares of the Company. On the ground of these transactions the Company became the sole shareholder of KPC. At the same time, KPC and Amber Trust II S.C.A agreed on two years payment term for the shares buyback.
- Share swap agreements between SMK and Mr Juhani Salminen and Mr Jukka Salminen, dated 31 January 2007, SMK acquired all the shares of Saaristomeren Kala Oy by a share exchange with Messrs. Salminen, who in exchange received in the aggregate 17.25% of shares in SMK. The then majority owner of SMK, Amber Trust S.C.A, bought the 17.25% of the shares of SMK from Messrs. Salminen on 9 May 2008. At the same time Messrs. Salminen acquired the shares of Polar Fish Oy and Imatran Kala and Kaviaari and certain real estate from Saaristomeren Kala Oy and, therefore, these companies ceased to be subsidiaries of Saaristomeren Kala Oy.

The Group entities have also executed several intra-group transactions such as agreements for sale and purchase of goods, share purchase agreements regarding the shares of Group entities, loan agreements, guarantees and other agreements. For additional information regarding related party transactions see Section 30 of the 2009 Consolidated Annual Report of the Company annexed to this Prospectus.

Management believes that all the above agreements have been entered into materially at an arm's length basis. Moreover, the Group has performed an extensive analysis regarding compatibility with arms length principle of terms of the sale of ice cream by PTKH to KPC and FFL and a comparable study of manufacture of ice cream to minimise possible transfer pricing concerns with regard to the intra-group sales of ice cream.

MATERIAL CONTRACTS

ACQUISITION OF SHAREHOLDINGS IN SUBSIDIARIES

SHARE PURCHASE AGREEMENT BETWEEN BALTICS SMALL EQUITY FUND LLC, MR SANDIS STAKS, MR NORMUNDS OZOLINS AND PTKH RELATING TO SHARES OF FFLS AND FFL, DATED 24 OCTOBER 2007

According to the share purchase agreement between Baltics Small Equity Fund LLC, Mr Sandis Staks, Mr Normunds Ozolins and PTKH, dated 24 October 2007, PTKH acquired 100% of the shares of FFLS, whereas 500 shares of FFLS were acquired from Mr Normunds Ozolins and 1,500 from Mr Sandis Staks. At the same time, the Baltics Small Equity Fund LLC sold 132,786 shares of FFL, representing 46.16% Mr Sandis Staks sold 45,149 shares of FFL, representing 15.69%, to PTKH. As a result, PTKH holds 61.85% of the shares of FFL. Moreover, as FFLS owns 109,747 shares of FFL, representing 38.15%, PTKH held 100% of the shares of FFL as a result of the transaction. The purchase price of the shares was EUR 8,150,000 (EEK 127,519,790).

SHARE PURCHASE AGREEMENT BETWEEN PTKH AND MR NORMUNDS OZOLIŅŠ, DATED 1 NOVEMBER 2007

According to the share purchase agreement between PTKH and Mr Normunds Ozoliņš, dated 1 November 2007, PTKH sold 14,384 shares of FFL, representing 5%, to Mr Normunds Ozoliņš. The purchase price of the shares was EUR 407,500 (EEK 6,375,999). The agreement sets out that PTKH must re-purchase the shares at the respective written request of Mr Normunds Ozoliņš, if made after 1 January 2009 or upon termination of the agreement of the member of the management board concluded by and between PTKH and Mr Normunds Ozoliņš. Initially, it was agreed that the purchase price of the shares payable by PTKH in the event of re-purchase of the shares will equal the purchase price, which will be increased annually by 8% for the whole period Mr Normunds Ozoliņš has owned the shares. However, on 17 December 2009, it was further agreed, that the re-purchase price will equal only the purchase price, whereas PTKH agreed to pay the part of the re-purchase price calculated according to previously agreed principle until the 17 December 2009 in the amount of EUR 72,679 (EEK 1,137,179) to Mr Normunds Ozoliņš within ten banking days. If PTKH sells whole of part of FFL's shares to any third party, Mr Normunds Ozoliņš must sell the shares to such third party upon the same terms and conditions under which PTKH is selling its shares.

SALE OF REAL ESTATE

SALE OF REAL ESTATE OWNED BY KPC

Under the sale and purchase agreement between KPC and UAB "KPC nekilnojamas turtas", dated 2 March 2007, KPC sold to KPC's then subsidiary UAB "KPC nekilnojamas turtas" all real estate: five industrial premises, two administrative premises, one garage, one pump-building, one ice cream freezer and other engineer buildings such as fence, yard site and trestle. The purchase price of the real restate was EUR 2,478,684 (EEK 38,782,977). The main reason of selling the real estate was the decision to terminate production activities. On 30 March 2007 KPC sold the shares of UAB "KPC nekilnojamas turtas" to Mr Gintaras Kateiva and UAB "Žemės ūkio investicijų centras" for the purchase price of EUR 3,000,000 (EEK 46,939,800).

SALES AND LEASE-BACK OF COLD STORAGE PREMISES OF PTKH

Under the sale and purchase agreement between PTKH and Eften Kinnisvara AS, dated 9 September 2008, PTKH sold real estate located at Betooni 4, Tallinn, which hosts cold storage premises, to Eften Kinnisvara AS. The purchase price of the real estate was (including VAT) EUR 7,345,494 (EEK 114,932,000). Despite the sale, PTKH continues using the cold storage premises located at the real estate under the lease agreement entered into with Eften Kinnisvara AS for the monthly rent of EUR 47,100 (EEK 736,975) plus VAT and utility fees. The lease expires on 9 September 2018.

LOAN AND FINANCING AGREEMENTS

The loan agreements and other financing arrangements of the Group entities are discussed in detail in Section 16 of the 2009 Consolidated Annual Report of the Company annexed to this Prospectus. All loans and other financings have been fully used for their designated purpose. Material loan agreements and financing arrangements in a nutshell have been described below.

The Company has no loan or other financing arrangements in place with banks or other financial institutions. There are two loan agreements in place with the majority shareholder of the Company Amber Trust II S.C.A., which have been described in Section *"Related Party Transactions"*.

PTKH has four loan agreements in place with AS SEB Pank with the total outstanding amount as at 31 December 2009 EUR 2,729 thousand (EEK 42,689 thousand). Interest rates in the mentioned loan agreements are calculated either on the basis of 6 months EURIBOR or base interest rate of the Bank of Estonia. The loans have been provided for construction of the cold storage premises, repayment of loan to KPC, refinancing of existing loan, redemption of notes, financing operations and overdraft. The loans have been secured with mortgages encumbering the immovable of PTKH located at Peterburi tee 42, Tallinn, and commercial pledge over the assets of PTKH. In addition to the loan arrangements in place with AS SEB Pank as referred to above, there is a loan agreement executed with the Estonian branch of Danske Bank A/S in the outstanding amount as at 31 December 2009 of EUR 3,714 thousand (EEK 58,117 thousand). The interest rate is calculated on the basis of 6 months EURIBOR. The loan has been granted for the purchase of the shares of FFL and has been secured by a pledge established over the shares of FFL. Further, for financing its everyday business activities, PTKH has also executed a guarantee limit agreement and a factoring agreement with AS SEB Pank and AS SEB Liising respectively.

In order to finance construction works of a cold storage premises in Latvia, FFL has taken a loan from AS UniCredit Bank. The outstanding balance of the loan as at 31 December 2009 was EUR 736 thousand (EEK 11,515 thousand). The interest rate applicable to the loan is calculated on the basis of 6 months EURIBOR rate. The loan is collateralised with a mortgage over the same cold store located at Tukuma district, Smarde county, Latvia. For financing its everyday business activities, FFL has entered into a credit line agreement with AS Swedbank.

SMK has executed a loan agreement with the Estonian Branch of AS UniCredit Bank with the purpose of refinancing the loan granted by the Estonian Branch of Danske Bank A/S. The outstanding balance of that loan as at 31 December 2009 was EUR 488 thousand (EEK 7,632 thousand). The interest rate payable under the agreement is based on 3 months EURIBOR. The loan has been secured by a mortgage over the immovable of Vettel in Saaremaa (Kärsa immovable), commercial pledge over the assets of Vettel, surety by KredEx and guarantees issued by Amber Trust S.C.A and Amber Trust II S.C.A. The Estonian Branch of AS UniCredit has also granted a loan to Vettel for refinancing of the loan granted by the Estonian Branch of Danske Bank A/S and Bonds arranged by Swedbank. The interest rate is also calculated on the basis of 3 months EURIBOR and the unpaid amount of the loan as at 31 December 2009 was EUR 3,027 thousand (EEK 47,365 thousand). The loan is collateralised with the same securities as the loan granted to SMK as described above.

HK has executed a loan agreement with Varma pension insurance company with the purpose to streamline its loan portfolio in Finland by refinancing different facilities from Osuuspankki, Nordea, Sampo and Varma. The interest rate of the loan is fixed and the loan has been secured by the guarantee from Sampo Bank plc. As at 31 December 2010 the outstanding balance of the loan was EUR 1,275 thousand (EEK 19,950 thousand).

HK is party to a term loan facility agreement and the multicurrency revolving credit facility agreement with Sampo Bank plc (Danske Bank A/S). As at 31 December 2010 the outstanding balance of these loans was EUR 2,089 thousand (EEK 32,688 thousand). The interest rate payable under the agreement is based on 6 months EURIBOR. The loan has been granted for the purchase of the shares of Saaristomeren Kala Oy. Further, for financing its everyday business activities, HK has also executed a factoring agreement with Sampo Bank plc. All Sampo Bank plc facilities have been secured by a mortgage over the immovable of HK in Renko, Finland, commercial pledge over the assets of HK, shares pledge of HK and guarantee issued by Amber Trust S.C.A.

MANAGEMENT

MANAGEMENT STRUCTURE

The Company fully complies with the corporate governance regime of the Republic of Estonia in which it is incorporated. In accordance with the Estonian law, the operational management is structured as a two-tier system. The Management Board is responsible for the day-to-day management of the Company's operations and is eligible to represent the Company on the basis of the law and the Articles of Association. The Supervisory Board of the Company is responsible for the strategic planning of the business activities of the Company and supervising the activities of the Management Board.

MANAGEMENT BOARD

The Management Board of the Company is responsible for the day-to-day management of the Company's operations, the representation of the Company and the organisation of its accounting. Further, according to the Estonian Commercial Code, it is the obligation of the Management Board to draft the annual accounts and submit the accounts to Supervisory Board for its review and to the General Meeting of shareholders for approval. The Management Board is accountable to the Supervisory Board and must adhere to its lawful instructions.

The Management Board must present an overview of the economic activities and economic situation of the Company to the Supervisory Board at least once every four months and is under the obligation to give immediate notice of any material deterioration of the economic condition of the Company or of any other material circumstances related to its operations. If the Company is insolvent and the insolvency, due to the Company's financial situation, is not temporary, the Management Board must immediately submit a voluntary bankruptcy petition in respect of the Company.

The Management Board may only enter into transactions which lie outside the Company's ordinary scope of business with the consent of the Supervisory Board. In particular, according to Articles of Association of PF, in addition to any other issues that are within the competence of the Supervisory Board pursuant to law, the consent of the Supervisory Board is required for conclusion of the following transactions:

- entry into, amendment or termination of any such contract or agreement (a) which is beyond the scope of everyday business activities or (b) the objective whereof is to bind the Company for over 12 months and which obligates the Company to incur expenditures or obligations exceeding EUR 50,000 (indexed) (EEK 782,330), including on unanticipated bases;
- initiating any court or arbitration proceedings related to claims (including related expenses) that exceed or may exceed EUR 50,000 (EEK 782,330), and regard other than routine debt collection in any jurisdiction, or termination thereof by an agreement;
- making of any investments in other persons or business, or full or partial realization or transfer of any investments made by the Company;
- acquisition or transfer of any assets the value whereof exceeds EUR 50,000 (indexed) (EEK 782,330), unless it is prescribed in the budget;
- making any other amendments than those required under law or under the Estonian GAAP to the accounting principles or to rules of accounting applied by the Company;
- capitalization or returning of any reserves of the Company, withdrawal of shares from circulation or purchase of shares by the Company, or increase, reduction or reorganization of the share capital of the Company or its subsidiary company;
- assumption of debt obligations or granting of a guarantee in any other way than by commercial credit assumed under normal trading conditions and in the course of everyday business operations in accordance with previous practices, or the assumption of any such debt obligations (including but not limited to premature repayment) or amendment or termination of contracts regarding the granting of any guarantee;
- encumbering of any funds, assets, enterprise or uncalled capital of the Company with a mortgage, claim, debt obligation, pledge, lien or other encumbrance or right of security, or waiver thereof in any other way than by commercial credit assumed under normal trading conditions and in the course of everyday business operations in accordance with previous practices;
- appointment of such employees or consultants of the Company whose annual income exceeds EUR 50,000 (indexed) (EEK 782,330) and who are not members of the management board, determination of the terms of their employment contracts, their transfer or removal, as well as determination of the remuneration of or granting of benefits to the members of the management board or supervisory board;
- any material change in the nature or scope of business activities, including implementation of a new area of activity or winding up an area of activity, as well as relocation or extension of the premises of the Company or foundation of companies outside Estonia;
- conclusion of transactions or amendment thereof by PF with (i) a shareholder; (ii) a member of the supervisory board or management board; (iii) persons related to the aforesaid persons; or (iv) officers, members of the management board or employees of the aforesaid persons;
- performance of any acts set out in the articles of association of the Company by a subsidiary of the Company.

The Management Board of the Company currently consists of four members, whose authorities are valid for three years since appointment. According to the Articles of Association of the Company, the Management Board may have from one to four members. The Articles of Association of the Company set forth joint representation right of the Management Board members – the chairman of the Management Board is entitled to represent the Company alone, while the other members of the Management Board may only represent the Company jointly by two.

SUPERVISORY BOARD

In accordance with the Estonian Commercial Code, the Supervisory Board of the Company is responsible for the strategic planning of the business activities of the Company and supervising the activities of the Management Board. The Supervisory Board is accountable before the shareholders of the Company (acting through the General Meeting).

In accordance with the Estonian Commercial Code, before the ordinary General Meeting of shareholders is held, Supervisory Board must review the annual accounts and provide the General Meeting of shareholders with a written report on the annual accounts indicating whether Supervisory Board approves the accounts but also providing information on how Supervisory Board has organised and supervised the activities of a company. In practise the referred report is made available along with the notice on calling the General Meeting of shareholders.

According to the Articles of Association of the Company, the Supervisory Board consists of three to six members who are appointed by the General Meeting of shareholders for a period of five years. The members of the Supervisory Board elect among themselves a chairman of the Supervisory Board who is responsible for organising the activities of the Supervisory Board. The Supervisory Board of the Company convenes according to actual necessity, but in any case at least once every three months. An extraordinary meeting of the Supervisory Board is convened when so demanded by a member of the Supervisory Board, the Management Board, the auditor or the shareholders whose shares represent at least 1/10 of the share capital of the Company. The meetings of the Supervisory Board must be summoned with at least 10 days' notice, specifying the agenda for the meeting. A meeting has quorum when at least one half of all members is present and decisions are taken by simple majority of all members of the Supervisory Board.

INTERNAL AUDITOR

Under the applicable Estonian law, the Company is not required to have an audit committee or a remuneration committee and there are no legal norms governing the activities of such bodies.

EXTERNAL AUDITOR

In accordance with the Estonian Commercial Code, annual accounts of a public limited company (in Estonian: *"aktsiaselts"* or *"AS"*) must be audited by an external independent auditor. An auditor is appointed by the General Meeting of shareholders of a public limited company.

In accordance with the resolution of the General Meeting of shareholders of the Company, dated 17 August 2009, the auditor of the Company is Alliott Kangust OÜ (address Narva mnt 5, 10117, Tallinn). The auditor was elected for auditing the financial year ending on 31 December 2010.

DECLARATIONS IN RESPECT OF THE SENIOR MANAGEMENT

To the best of the Company's knowledge, none of the persons listed under Sections *"Management – Management Board of the Company"*, *"Management - Supervisory Board of the Company"* or *"Management - Other Key Executive Personnel"* below have received any convictions in relation to fraudulent offences for the previous five years, nor were any of such persons in the same period associated with any bankruptcies, receiverships or liquidations in their capacity as members of the administrative, management or supervisory bodies, partners with unlimited liability, founders or senior managers (other than the cases specifically indicated below). To the best of the Company's knowledge, no such persons were subject to any official public incriminations and/or sanctions by statutory or regulatory authorities (including designated professional bodies) nor have they been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company for the previous five years.

Likewise, with respect to the persons listed below, the Company is not aware of any conflict of interest between any of their duties to the Group and their private interests. There are also no family relations between them. For all persons listed below, the business address is Betooni 4, 11415 Tallinn, Estonia.

MANAGEMENT BOARD OF THE COMPANY

Currently, the Management Board of the Company consists of the following members:

Name	Position	Date of appointment	Date of expiry of the term
Kuldar Leis	Chairman	8 December 2008	8 December 2011
Katre Kõvask	Member	9 June 2009	9 June 2012
Silver Kaur	Member	9 June 2009	9 June 2012
Andri Avila	Member	5 March 2010	5 March 2013

Kuldar Leis (born 1968) has been the chairman of the Management Board of the Company since its foundation and of AS Premia Tallinna Külmhoone since 2006. In addition, he serves as a member of the Management Board of AB "Premia KPC", SIA "F.F.L.S" and OÜ TCS Invest, and as a member of Supervisory Board of Saaremere Kala AS, Vettel OÜ and AS "Premia FFL". Mr Kuldar Leis graduated from the University of Tartu in 1993, specialising in credit and finance. He also holds a diploma in dairy technology. He has previously been employed as the chairman of the Management Board of the food company AS Nordic Foods (2004-2007) and the beverages company AS Ösel Foods (2001-2003) and as sales and marketing director in AS Ösel. Prior to that, he held managing positions in dairy processing companies AS Ühinenud Meiereid (1998-2000) and AS Põlva Piim (1991-1994). During 1996-1998, Mr Kuldar Leis was the regional manager of Hoiupank. He is currently a member of Supervisory Board of AS Linda Nektar (a company specialised in producing fermented beverages for drink industry) and Food and Competence Center of Food and Fermentation Technology. He is also a member of Supervisory Board of Association of the Estonian Food Industry and member of the Management Board of Rododendron OÜ.

Katre Kõvask (born 1975) has been the marketing director and a member of the Management Board of AS Premia Tallinna Külmhoone since 2006 and of the Company since June 2009. She is also a member of the Supervisory Board of AS "Premia FFL" and Saaremere Kala AS. Ms Katre Kõvask graduated from University of Tartu in 1998, having specialised in marketing and foreign trade. She has previously been employed as marketing manager and member of the Management Board of the food company AS Nordic Foods (2004-2006), where she lead the launch of ready-meals' brand "Maakera" to the Estonian market. Prior to that, she served as marketing manager and a member of the Management Board of the beverages company AS Ösel Foods (2000-2004), while the leading beverage brand "Aura" was launched to the Baltic markets. During 1994-2000 she worked as project manager in advertising agencies belonging to AGE Group. She is currently the member of the Management Board of OÜ Footsteps Management.

Silver Kaur (born 1973) has been the sales director and member of the Management Board of AS Premia Tallinna Külmhoone since 2006 and of the Company since June 2009. He is also a member of the Supervisory Board of AS "Premia FFL" and Saaremere Kala AS. Mr Silver Kaur graduated as a fisheries' consultant from Estonian Maritime Academy in 1997. He has previously been employed as sales director and a member of the Supervisory Board of food company AS Nordic Foods (2004-2006). Prior to that, he served as sales manager and a member of the Management Board of the beverages company AS Ösel Foods (2000-2003). During 1997-2000 he worked as sales manager in the dairy processing company AS Ühinenud Meiereid and during 1996-1997 as product presenter in Tetra Pak Estonia AS. Mr Silver Kaur is currently a member of the Management Board of RüsiGrupp OÜ and OÜ Freespirit.

Andri Avila (born 1975) is the Chief Financial Officer of the Company. Mr Andri Avila graduated from Concordia International University in Estonia in 2000 with a degree in international business management. He has previously been employed by various real estate and investment companies, mostly in the capacity of the Chief Financial Officer. Before joining the Company, Mr Andri Avila served as Chief Executive Officer of Olympic Entertainment Group AS, in the CEE region leading casino operator. Mr Andri Avila also serves on the Management Boards of AS RVC Investeeringud, and OÜ Geoplast. His previous affiliations as a member of managing bodies include AS Kawe Kinnisvara, Eldore Kinnisvara OÜ, Metro Aktivate AS, Creco AS, AS Kawe Haldus, OÜ Magister Morum, AS Lahekalda and OÜ S&B Kinnisvara.

SUPERVISORY BOARD OF THE COMPANY

Currently, the Supervisory Board of the Company consists of the following members:

Name	Position	Date of appointment	Date of expiry of the term
Indrek Kasela	Chairman	8 December 2008	8 December 2013
Lauri Kustaa Äimä	Member	8 December 2008	8 December 2013
Erik Haavamäe	Member	8 December 2008	8 December 2013
Aavo Kokk	Member	5 May 2009	5 May 2014

Harvey Sawikin	Member	5 May 2009	5 May 2014
Jaakko Karo	Member	17 August 2009	17 August 2014

Indrek Kasela (born 1971) has been a member of the Supervisory Board of the Company since its foundation. In addition, he serves as a member of Supervisory Board of several Group entities, such as AS Premia Tallinna Külmhoone, Saaremere Kala AS, Vettel OÜ and OÜ TCS Invest. Mr Indrek Kasela 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. Since 2003, he has been the partner of the largest Baltic private equity fund manager Amber Trust being responsible for Amber Trust's activities in Estonia, Latvia and Russia. Prior to that, he has acted as the Chief Executive Officer of HEX Tallinn (Tallinn Stock Exchange) (2002), CEO of the data protection software development company AS Privador (2000-2001), consultant in the investment banking firm Baltic Cresco Investment Group (1996-2000) and as an attorney in law firm HETA (1994-1995). He serves as Supervisory Board member of Vettel OÜ, AS Toode, AS PKL, ELKE Grupi AS, EPhaG AS, Salva Kindlustuse AS, Ridge Capital AS and a Management Board member of OÜ X-pression, AS Fine, Wood and Company OÜ, Lindermann, Birnbaum & Kasela OÜ and Managetrade OÜ, as well as board member of several companies domiciled in Baltics and Russian Federation.

Lauri Kustaa Äimä (born 1971) has been a member of the Supervisory Board of the Company since its foundation and of AS Premia Tallinna Külmhoone since 2005. He holds a masters degree in Economics from the University of Helsinki. Mr Lauri Kustaa Äimä is the managing director and founding shareholder of Kaima Capital Oy. Before launching Kaima Capital in February 2009, he gained more than fifteen years professional experience from various leading financial institutions including Danske Bank's and ING Group's investment management operations. 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) 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 a member of Supervisory Board of several Group entities, such as AS Premia Tallinna Külmhoone, Saaremere Kala AS, Vettel OÜ, AS "Premia FFL" and OÜ TCS Invest. Mr Erik Haavamäe holds a cum laude diploma in economics from Tallinn Technical University. He has long term financial experience as a controller and Chief Financial Officer in different industries (airline, apparel, food, media) and six years of experience in investment banking. He has been senior analyst and Management Board member in Baltic Cresco Investment Group and participated in the World Bank mission to Ukrzaliznytsia (Ukranian Railways). He is a member of the Supervisory Board of AS Toode and a member of the Management Board of AS EPhaG, AB Premia KPC- and OÜ Kamakamaka.

Aavo Kokk (born 1964) has been a member of the Supervisory Board of the Company since May 2009. Mr Aavo Kokk graduated from Tartu University in 1990, having specialised in journalism, and Stockholm University in 1992, having specialised in banking and finance. Currently he is the managing director and partner in the property advisor Catella Corporate Finance (Estonia). Prior to that, he has served as CEO and publisher of Eesti Päevaleht (2002-2008), editor in chief of Eesti Ekspress (1997-2002), executive board member in Estonian Savings Bank (1993-1997), head of tax policy department in the Ministry of Finance (1992-1993). Mr Aavo Kokk is currently a member of the Super-visory Board of AS Audentes and a member of the Management Board OÜ Synd&Katts.

Harvey Sawikin (born 1960) has been a member of the Supervisory Board of the Company since May 2009. Mr Harvey Sawikin holds degrees from the Columbia University and Harvard Law School, where he was a editor of the Harvard Law Review. He co-founded Firebird in 1994 and is currently a lead manager of Firebird Fund, Firebird New Russia Fund, Firebird Republics Fund and Firebird Avrora Fund. Before founding Firebird, he was a clerk on the U.S. Court of Appeals and an M&A specialist at the U.S. law firm of Wachtell, Lipton, Rosen & Katz. He is a member of the New York State Bar.

Jaakko Karo (born 1962) has been a member of the Supervisory Board of the Company since August 2009. Mr Jaakko Karo 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. At present, he is a partner at Cumulant Capital Fund Management, managing Cumulant Capital Northern Europe fund. Previously, he has worked for General Electric (GE) in several Merger & Acquisition projects (2003-2005) and for Instrumentarium Corporation as vice president for global sales and marketing (2000). During 1986-2000, he worked for the global food ingredients group Danisco (previously Cultor Groups) in many senior management positions, including vice president for marketing, vice president for North American operations (Xyrofin Division), group vice president (Nutrition Business Area), vice president and deputy to the president (Danisco Sweeteners), in London and New York.
He has held numerous board memberships in various Danisco, Cultor companies internationally and in various Sanoma-WSOY-subsidiaries: AAC Group (Finland), Interverbum AB, AAC Global AB.

OTHER KEY EXECUTIVE PERSONNEL OF THE GROUP

Pekka Lahtinen (born 1971) has been the production director and a member of management board of Vettel since 2005 and of SMK since 2007. He also serves as board member of SF, ÖF and as a procurator of HK. During 2003-2005, he was the production manager of HK. Mr Pekka Lahtinen has graduated as food technician from Turku University of Applied Science in 1998. He has served as production and quality manager of the Finnish fish and fish products company V. Hukkanen Oy (1995-2003) and in various positions in other Finnish fish or meat processing companies.

Juha Alanen (born 1977) has been a sales director of HK since 2009. Priot to that, he served in HK as a sales representative since 2004, as key account manager 2004-2008 and as sales manager 2008. He is also a procuration holder in HK. Mr Juha Alanen has graduated from Tampere commercial college, specialising in customer services and marketing. During 2000-2004 he was a salesman in fishcompany V. Hukkanen Oy, during 1998-2000 he was a fish department manager in Stockmann´s Seston Etujätti store, during 1996-1998 he worked in fishmongers in covered hall of Tampere).

Margus Rebane (born 1968) has been the CFO of SMK since 2007. He is also the member of the management board of SMK and GH. Mr Margus Rebane has graduated from Mainor Business School in 1998, having specialised in financial management, and from Tallinn Technical University in 1994, having specialised in machine engineering. He has been serving as the managing director and member of the management board (2000-2007) of the provider of galvanised coating OÜ Vasar and in managing positions in various other companies, including AS Frio Tööstus and AS Tööriistavabrik.

Normunds Ozoliņš (born 1965) has been the CEO and chairman of the management board of FFL since November 2007. He has been working for FFL since 2004, when he started as the logistics director, and soon moved to the position of commercial director and became a member of the management board. Mr Normunds Ozoliņš s has graduated from the Latvian University of Agriculture with master's degree in economics. He has been commercial director of Tukuma piens (2002-2004) and Limbazu piens (2000-2002), both of which are among the largest dairies of Latvia. He has advised many Latvian food companies, working as the manager of Centre of Cooperation and scientific researcher and privatization consultant in the Institute of Economics of Agriculture of Latvia.

Andis Kļaviņš (born 1981) is the financial director and the member of the management board of FFL since November 2007. He has been working for FFL since 2004, when he started as the IT manager, and moved to the position of financial analyst and became the member of the management board since 2006. Mr Andis Kļaviņš has graduated from the University of Latvia with the degree in mathematics-statistics in 2004 and from the Riga International School of Economics and Business Administration with the masters' degree in business management. He has previously worked in several IT companies. He is currently a member of the supervisory board of SIA "Rīgas tirdzniecības osta" and a member of the management boards of SIA Aconsults and SIA Latmorporttrans.

Alvydas Malakauskas (born 1975) has been the CEO of KPC since 2008. Prior to becoming the CEO, he was the sales director (2005-2008), regional sales manager (2001-2005) and the director of Alytus department (1999-2001) of KPC. Mr Alvydas Malakauskas has graduated from Alytus Higher Business School in 1999, specialising in business management. Prior to joining KPC, he worked as a manager in R.Cegialis company "Ceromas".

Kristina Daniliniene (born 1980) has been the chief financial officer of KPC from 2009. Ms. Kristina Daniliniene holds the master degree in economy (2006) and bachelor degree in management and business administration (2002) from Vilnius University, Kaunas Faculty of Humanities. She has the Lithuanian professional accountant qualification since 2009. Prior to joining KPC, she has worked as a general financier and accountant in UAB "Linolitas" (2002-2009) and as an administrator-accountant in UAB "Pramoninis servisas".

REMUNERATION AND BENEFITS

At the moment, no agreements are concluded with the members of the Management Board of the Company and the members of the Management Board do not receive remuneration from the Company. However, besides serving on the Management Board of the Company, they also serve as members of the management board in other Group entities and receive remuneration for their services on the basis of board member agreements concluded with respective entities.

As mentioned above, all the members of the Management Board of the Company, except for Mr Andri Avila (Mr Kuldar Leis, Ms. Katre Kõvask and Mr Silver Kaur) serve simultaneously at the management board of PTKH. PTKH concluded written agreements with all three members of the management board on 11 January 2006. The agreements were prolonged on 11 January 2009, after the members of the management board were re-elected to the management board of PTKH. Pursuant to the agreements, each of the members of the management receives a monthly gross salary in the amount of EUR 3,365 (EEK 52,650) since 1 October 2009. If the members of the management board are recalled from the management board, they are entitled for compensation in the sum of their six months' salary. The compensation is not paid if the member will be recalled from the management board due to the breach of duties or conditions set forth in the agreement and legal acts or in case of voluntary withdrawal from the management board. All members of the management board of PTKH must follow a one-year non-competition obligation after the termination of the agreement. If the member will breach the non-compete obligation, PTKH is entitled to claim a penalty fee in a sum of the member's three months' salary.

At the moment, no agreements are concluded with the members of the Supervisory Board of the Company. Four out of six members of the Supervisory Board of the Company do not receive remuneration from the Company. On 17 August 2009, the general meeting of shareholders decided to pay to Mr Vesa Jaakko Karo a monthly remuneration in a sum of EUR 320 (EEK 5,000). On 5 May 2009, the general meeting of shareholders decided to pay to Mr Aavo Kokk a monthly remuneration in a sum of EUR 320 (EEK 5,000).

The aggregate remuneration of the members of the senior management of the Group (incl. members of the Management and Supervisory Boards and the key executive personnel mentioned above) in the financial year ended 31 December 2009 was approximately EUR 914,000 (EEK 14,300,992), including dismissal compensations of EUR 113,000 (1,768,066).

No employees or members of senior management of the Group are entitled to any pensions other than those prescribed by the applicable national laws. Correspondingly, the Group companies do not accrue or set aside any amount to provide pension, retirement or similar benefits.

STOCK OPTION PLAN

In accordance with a decision of the Extraordinary General Meeting of shareholders of the Company dated 15 March 2010, the Supervisory Board of the Company has been granted the right to increase the share capital of the Company approximately by up to 2% of the share capital on the post-Offering basis (i.e. to issue up to 1,000,000 Shares) in order to implement the employee and management stock option plan. Under the stock option plan, certain individuals are granted the right to purchase new Shares of the Company at a price which is determined in accordance with the conditions of the stock option plan to be approved by the Supervisory Board of the Company or the General Meeting of the Company as the case may be post-Offering. The eligibility to exercise rights under the stock option plan is generally related to certain pre-determined objectives which need to be met by each relevant employee or member of the management. Pursuant to the Articles of Association of the Company, the Supervisory Board is entitled to increase the share capital of the Company by issuing up to 1,000,000 as from 1 April 2010 until 1 April 2013. With respect to all participants of the stock option plan excluding the members of the Supervisory Board of the Company, the Supervisory Board will be eligible to decide on the amount of Shares to be issued to each particular employee and other details of the exercise. With respect to the members of the Supervisory Board, the decision concerning their eligibility for the realisation of their rights under the stock option plan is in the competence of the General Meeting of shareholders of the Company.

SHARE OWNERSHIP

Some members of the senior management of the Group hold minority shareholdings in the Company either directly or through companies owned by such members of senior management. The details of the shareholdings of the members of senior management at the date of this Prospectus are summarised below:

Name of the Shareholder	Number of Shares	%
OÜ Footsteps Management (company held by Ms. Katre Kõvask)	485,040	2.0006%
OÜ Freespirit (company held by Mr Silver Kaur)	386,280	1.5937%
Kamakamaka OÜ (company held by Mr Erik Haavamäe)	179,000	0.7402%
Mr Pekka Pentti Olavi Lahtinen	192,360	0.7940%
OÜ Rododendron (company held by Mr Kuldar Leis)	1,295,240	5.3560%

In addition to the ownership of shares in the Company, certain amounts of shares of other Group entities are held by managers of such entities. Namely, the CEO and chairman of the management board of FFL, Mr Normunds Ozoliņš, holds 5% of the shares of FFL pursuant to the share purchase agreement between PTKH and Mr Normunds Ozoliņš, dated 1 November 2007. Please see in more detail under *"Business Overview – Material Contracts"*. Additionally, the member of the management board of GH Mr Indrek Loorens holds 24.3% of the shares of GH.

No other members of senior management or employees of the Group hold any shares in any other Group entities. Neither any employees of the Group nor the members of its management hold any options or other similar rights to acquire Shares of the Company.

CONFLICTS OF INTERESTS AND OTHER DECLARATIONS

The members of the Management or Supervisory Boards of the Company have not had interest in transactions effected by the Company or its subsidiaries, which are unusual in their nature or which contain unusual terms or conditions during the financial years ended 31 December 2008 and 2009 or the current financial year. The companies held by some of the members of the senior management of the Company have entered into consultancy agreements with the Company and therefore, these members may be considered to have potential conflicts of interests between their duties to the Company as members of the managing bodies and their private interests and duties to the companies held by them. For more details see *"Business Overview – Related Party Transactions"*. The Company is not aware of any other potential conflicts of interests between the duties of such members of the managing bodies and their private interests or other duties.

Some of the members of the Supervisory Board of Company (Mr Lauri Kustaa Äimä and Mr Indrek Kasela) provide consultancy services to Amber Trust S.C.A. and Amber Trust II S.C.A., which hold together the majority of shares of the Company. Acting as members of Supervisory Board of the Company is part of their duties towards the majority shareholder.

The Company is not aware of any convictions in relation to fraudulent offences or any official public incrimination and/or sanctions with respect to the members of senior management of the Group, nor were any of such persons in the same period associated with any bankruptcies. Currently, AS Nordic Foods is under liquidation proceedings further to the sale of its operations to AS Põltsamaa Felix at the beginning of 2007. AS Nordic Foods is indirectly owned by the members of the Management Board of the Company and several members of the Management and Supervisory Boards of the Company, namely Mr Kuldar Leis, Mr Silver Kaur, Mr Indrek Kasela, Ms Katre Kõvask and Mr Erik Haavamäe, serve as the members of the managing bodies of AS Nordic Foods. The liquidation is voluntary and has not been triggered by insolvency of AS Nordic Foods.

The Company is not aware that any member of senior management of the Group has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company for the previous five years.

OWNERSHIP STRUCTURE

OWNERSHIP STRUCTURE, MAJOR SHAREHOLDERS

As at the date of this Prospectus, the shareholder structure of the Company is as follows:

Shareholder	**Number of shares**	**%**
Firebird Avrora Fund, Ltd.	638,010	2.6383%
Firebird Republics Fund, Ltd.	535,480	2.2143%
OÜ Footsteps Management	485,040	2.0006%
OÜ Freespirit	386,280	1.5937%
ING Luxembourg S.A., holding the shares of:	20,309,430	83.9827%
Amber Trust S.C.A.	5,381,370	22.2528%
DCF Fund II Baltic States	1,914,520	7.9168%
Amber Trust II S.C.A.	13,013,540	53.8131%
Mr Pekka Pentti Olavi Lahtinen	192,360	0.7954%
Kamakamaka OÜ	179,000	0.7402%
Premia Foods AS	162,020	0.6700%
OÜ Rododendron	1,295,240	5.3560%
Total	**24,182,860**	

All shareholders of the Company have equal voting rights. Prior to the Offering, the Company is controlled by Amber Trust II S.C.A., which holds 53.8% of the shares of the Company. Together with Amber Trust S.C.A., which holds 22.3% of the shares of the Company, Amber Trust II S.C.A. and Amber Trust S.C.A. hold 76.1% of the shares of the Company prior to the offering.

Amber Trust S.C.A. (launched in 2002) and Amber Trust II S.C.A. (launched in 2005) are private equity funds domiciled in Luxembourg and regulated by Luxembourg's *Commission de Surveillance du Secteur Financier*. Danske Capital Finland Ltd. and Firebird Private Equity Advisors LLC act as joint investment advisors with equal rights and responsibilities. The funds' objective is to generate long-term capital gains by making investments primarily in the Baltic States.

The Company currently holds 162,020 its own shares, representing 0.6700% of all the shares of the Company. The Company acquired its own shares in the course of the re-structuring of a loan agreement between PTKH (lender) and AS Nordic Foods (borrower, a company (under liquidation) belonging to Mr Silver Kaur, Ms Katre Kõvask and Mr Kuldar Leis). More detailed information on the transaction has been provided in Section *"Related Party Transactions"*. Under the Estonian Commercial Code, as a general rule a public limited company (in Estonian: *"aktsiaselts"* or *"AS"*) is not allowed to own its own shares with certain exemptions. Namely, a public limited company may own its own shares if (i) this has been resolved by the General Meeting of shareholders of a public limited company, (ii) the amount of shares owned by a public limited company does not exceed 10% of the share capital of a public limited company, and (iii) the acquisition of own shares by a public limited company does not result in decrease of its net assets below the sum of share capital and reserves, which according to law and Articles of Association is not allowed to be paid out to shareholders. Own shares belonging to a public limited company do not carry shareholders' rights attached to such shares. Acquisition of the referred 162,020 own shares by the Company was duly authorised by the General Meeting of shareholders of the Company on 17 August 2009. The acquisition of its own shares by the Company is in compliance with the requirements of the Estonian Commercial Code as described above. In the future, the Company intends to transfer the ownership to its own shares or annul the shares owned by the latter.

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Company. No person has, directly or indirectly, an interest in the Company's capital or voting rights which is notifiable under the laws of Estonia.

DILUTION

The Offer Shares represent approximately 37.5% of the share capital of the Company immediately after the completion of the Offering provided that the number of Offer Shares does not change from that indicated on the cover of this Prospectus. Following the completion of the Offering, Amber Trust II S.C.A., Amber Trust S.C.A. and DCF Fund II Baltic States will hold approximately 52.5% of the Shares of the Company.

SHAREHOLDERS' AGREEMENTS

As of the date of this Prospectus, the Company is not aware of any existing agreements between the shareholders of the Company on the use of voting rights.

ESTONIAN SECURITIES MARKET

THE NASDAQ OMX TALLINN STOCK EXCHANGE

NASDAQ OMX Tallinn Stock Exchange is the only regulated secondary securities market in Estonia. The owner of the NASDAQ OMX Tallinn Stock Exchange is NASDAQ OMX, Inc.. The NASDAQ OMX Group, Inc. is the world's largest exchange company. It delivers trading, exchange technology and public company services across six continents, with over 3,800 listed companies. NASDAQ OMX Group offers multiple capital raising solutions to companies around the globe, including its U.S. listings market; NASDAQ OMX Nordic, NASDAQ OMX Baltic, including NASDAQ OMX First North; and the U.S. 144A sector. The company offers trading across multiple asset classes including equities, derivatives, debt, commodities, structured products and ETFs.

NASDAQ OMX Group technology supports the operations of over 70 exchanges, clearing organizations and central securities depositories in more than 50 countries. NASDAQ OMX Nordic and NASDAQ OMX Baltic are not legal entities but describe the common offering from NASDAQ OMX Group exchanges in Helsinki, Copenhagen, Stockholm, Iceland, Tallinn, Riga, and Vilnius.

The NASDAQ OMX stock exchanges in Tallinn, Riga and Vilnius form the Baltic Market, the core idea of which is to minimize to the extent possible the differences between the three Baltic markets in order to facilitate cross-border trading and attract more investments to the region. This includes sharing the same trading system and harmonizing rules and market practices, all with the aim of reducing the costs of cross-border trading in the Baltic region.

NASDAQ OMX Tallinn is a self-regulated organisation, issuing and enforcing its own Rules and Regulations consistent with standard exchange operating procedures. NASDAQ OMX Tallinn is licensed and supervised by the Financial Supervisory Authority of Estonia. NASDAQ OMX Tallinn is a member of Nordic-Baltic stock exchange alliance NOREX since April 2004.

NASDAQ OMX Tallinn uses the NASDAQ OMX, Inc. trading system INET, which in addition to U.S. is used by exchanges in Sweden, Finland, Denmark, Iceland, Estonia, Latvia, and in Lithuania as of February 2010.

THE ECRS AND REGISTRATION OF SHARES

The shareholders' registers of all public limited companies (and some private limited companies who opted to register their shares) including those that are traded in NASDAQ OMX Tallinn Stock Exchange are held by the Estonian Central Register of Securities (ECRS). ECRS also keeps book entry records of all securities, pension accounts, registered bonds and all other electronic securities and transaction with the same. This register is maintained by a securities market infrastructure enterprise AS Eesti Väärtpaberikeskus that is owned by AS Tallinna Börs and belongs to the NASDAQ OMX Group.

Every individual, regardless of nationality, has the right to open an account with the ECRS, where all securities are registered in book entry form on securities accounts of their owners. All transactions are recorded and can be performed only through account operators. Account operators are either investment companies or credit institutions operating in Estonia, or other certified individuals. In some cases, account supervisor can also be a foreign company. For Shares registered in ECRS, no share certificates are issued.

The amount of information from the ECSR that is available to the public is limited and includes information on the issuer (name, seat and registry code) and the details of securities (type, nominal value and number of shares). Unless Shares are listed on the stock exchange, information about shareholders is not available to the public (except for shareholdings exceeding 10% of the entire share capital that need to be disclosed in annual accounts of companies).

In addition to regular securities accounts, qualified member of the securities market (account holder) can open a nominee account. This account type gives the account holder the right to hold securities on behalf of another person – the client – but in its own name. The client retains the right to dispose of the securities or use its rights as a shareholder of the issuer, though a power of attorney must be obtained for the latter purpose.

LISTING SHARES ON THE TALLINN STOCK EXCHANGE

The Baltic stock exchanges have a common presentation of all listed Baltic companies on a common list, the companies in which are grouped in the lists below. In legal terms, the companies are listed on home market, i.e. the exchange in Tallinn, Riga or Vilnius and supervised by the local financial supervisory authority.

Structure of lists of securities traded in the NASDAQ OMX Tallinn, Riga and Vilnius exchanges:

- Baltic Main List
- Baltic Secondary List
- Baltic Funds List
- Baltic Bond List

BALTIC MAIN LIST
The Baltic Main List is a line-up of all blue-chip companies listed on the Tallinn, Riga and Vilnius stock exchanges. To be eligible for inclusion, a company must have 3 years of operating history, an established financial position, market cap of not less than EUR 4 million, with reporting according to the International Financial Reporting Standards, and a free float of 25% or worth at least EUR 25 million.

BALTIC SECONDARY LIST
The Baltic Secondary List comprises companies that do not meet quantitative admission requirements (free float, capitalization). The admission requirements are not as strict compared with those of the Baltic Main List. The Baltic Secondary List comprises of companies that do not meet quantitative admission requirements (free float, capitalization) of the Main List.

BALTIC FUNDS LIST
The Baltic Funds List contains the investment fund units or shares of collective investment subjects that are listed and traded on the Baltic exchanges in a similar manner as equities.

BALTIC BOND LIST
Baltic fixed-income instruments are presented in a joint Baltic Bond List. The fixed-income instruments include Latvian and Lithuanian government bonds, corporate and mortgage bonds of different maturities. Listing of and trading in fixed-income instruments in possible in both national (EEK, LVL, LTL) and non-national currencies (USD and EUR). NASDAQ OMX Riga and NASDAQ OMX Vilnius has a developed infrastructure for primary placement of new bond issues, which is used by both the Latvian Government and corporate issuers. NASDAQ OMX Riga and NASDAQ OMX Vilnius has a developed infrastructure for primary placement of new bond issues, which is used by both the Latvian and Lithuanian Government and corporate issuers.

TRADING ON THE TALLINN STOCK EXCHANGE

NASDAQ OMX Tallinn, NASDAQ OMX Riga and NASDAQ OMX Vilnius employ the NASDAQ OMX, Inc. trading system INET. All NASDAQ OMX Nordic exchanges as well as Iceland stock exchanges use the same trading system. The trading system has the following features besides the common ones:

- Transactions can be made simultaneously with securities traded on different exchanges;
- Investors' transaction orders can be entered and matched automatically without the direct involvement of a broker;
- Multiple types of transaction orders can be used (limit order, market order, etc.).

Trades on the Baltic stock exchanges may be effected as automatically matched trades or manual trades.

Orders, entered into the order book, participate in the opening call auction at the beginning of the trading session, automatic matching in the trading system during the trading session and in the closing auction conducted after the trading session as a result automatically matched trades could be concluded.

Manual trades are trades, which are concluded outside the order book. A manual trade can be concluded by specifying one of the trade types, which are:

- standard trade concluded on standard market terms during the trading session;
- exchange granted trade concluded pursuant to individual or general authorization from the exchange. Joint authorization of the exchange may be granted to all members for conclusions of a particular type of transactions.

SUPERVISION OF THE TALLINN STOCK EXCHANGE AND OF TRADING ON THE TALLINN STOCK EXCHANGE

The Estonian Financial Supervision (EFSA) is the agency that supervises the NASDAQ OMX Tallinn Stock Exchange under the rules established by the Financial Supervisory Authority Act. The main purpose of the EFSA is not only to ensure reliable and secure operation of the stock market and the financial sector as a whole. In addition to the EFSA, the Listing and Supervisory Committee of the Tallinn NASDAQ OMX Stock Exchange has a specific duty to ensure that the members of the NASDAQ OMX Tallinn Stock Exchange comply with applicable rules and regulations.

Transactions that can unfairly alter the price of a security (e.g. transactions based on inside information or manipulating the market) are strictly prohibited. All suspicious transactions must be notified by the NASDAQ OMX Tallinn Stock Exchange to the EFSA immediately.

DISCLOSURE OF INFORMATION ABOUT TRANSACTIONS AND SHAREHOLDERS

Whenever a person acquires (directly or indirectly, alone or in concert with a third party) 5%, 10%, 20%, 33%, 50% or 66% of all shares issued by one public limited company, such person must inform the Estonian Financial Supervision Authority (EFSA), the public limited company and the account holder about the number of shares obtained from the transaction. These same rules also apply to the investor whose shareholding falls below any of the same levels. Exceptions to the above requirements may be granted by EFSA alone. The same requirement applies to holders of nominee accounts, who must report to the EFSA when a particular account exceeds or falls below the above-mentioned thresholds.

It is prohibited to enter into agreements concerning Shares of a public limited company that restrict free transfers in the market or have a significant impact on the price of a security, and the public limited company involved in such transactions must report to the EFSA.

In addition, the Rules of the Tallinn Stock Exchange include certain specific regulations related to transactions entered into by an issuer and involving its own securities.

ABUSE OF THE STOCK MARKET

According to the Securities Market Act, abuse of the stock market is defined as either mishandling of inside information or manipulating the market. Provisions of the Securities Market Act relating to disclosure of confidential information also apply to securities that are not traded in the Estonian Stock market or in any of the Member States of the European Economic Area, but whose value depends on the financial instruments traded on those markets.

According to the Estonian Securities Market Act, "insider information" is defined as specific information that directly relates to the issuer or its securities. Among numerous other things, this includes information on operations and future prospects of the issuer, insofar as not yet officially disclosed. When such information is made public, there is an increased risk of fluctuations in the price of the relevant security and related derivative instruments. There are certain specific rules in the Securities Market Act that help established if a particular piece of insider information can be released or not.

Insider information can only be possessed by "insiders". As defined in the Securities Market Act, an insider is a member of the management of the issuer, a person who obtains access to insider information in discharge of his/her professional duties or a shareholder with over 10% stake in the issuer, as well as certain third persons such as friends and relatives who knowingly obtain insider information from the insider.

Insider information is usually regarded to be misused when used as basis for transactions (or as basis for advise to third parties) or disclosed to the public. The Estonian Securities Market Act establishes a number of administrative offences related to insider information that are punishable with fines of various gravity.

In order to reduce the risk of the abuse of insider information, each issuer whose shares are listed on the Stock Exchange is required to establish internal information rules, extending to individuals which are related to the issuer. The connection can be directly through the issuer, through its subsidiary, or through its parent undertaking.

It is also forbidden that members of the management, officials of the company, or individuals related to them use insider information for their personal benefit. It is illegal to take advantage of the short-term price changes and trade during time periods when trading is not accessible to other members of the market. Exclusions to these rules can only be made by the Listing and Supervisory Committee of the Tallinn Stock Exchange.

Since the Tallinn Stock Exchange has complete control over the Estonian stock market, the ECRS must provide it with information about all the trades taking place on the market. Besides guaranteeing the secure functioning of the market, this also helps detect and avoid illegal trading on the basis of insider information.

OBLIGATORY TAKEOVER BID

An obligatory takeover bid must be made by a shareholder who, acting alone or in concert with others, gains dominant control over a company whose shares are listed on the NASDAQ OMX Tallinn Stock Exchange.

According to the law, dominant control is obtained when a person: (i) owns over 50% of the votes represented by shares, or (ii) as a shareholder of the company, has the right to assign or recall a majority of the Management Board or Supervisory Board of the company, or (iii) as a shareholder of the company, controls at least 50% of the votes represented by shares on the basis of an agreement entered into with other shareholders.

A person acquiring dominant control over a listed company has to make a mandatory takeover bid for all the outstanding shares of the company within 20 days. Only in special cases, the Estonian Financial Supervision Authority can make exceptions to the above rule.

TAXATION

GENERAL INFORMATION

The general principles of corporate and industry-specific taxation in the relevant jurisdictions are summarised below. Information for Estonia includes a more detailed description of corporate, capital gains and individual taxation on account of the Company being an Estonian resident Information for other jurisdiction is limited to the extent that local taxation rules any affect the results of operations of the relevant Group entities and the Group.

The section dealing with the Estonian tax system is meant to give an overview of the tax regime applicable to the Company and its shareholders, including the taxation of dividends and capital gains as applied to the dividends paid out and Shares issued by the Company. The sections dealing with other jurisdiction are included to give an overview of the tax regime in which the subsidiaries of the Company operate and are of no relevance with respect to distributions made to or capital gains realised by the Company's shareholders. Note that the below summary is in no way exhaustive and is not meant to constitute professional advise to any person. In order to establish particular tax consequences of the Offering or the ownership of Shares, each individual investor is strongly encouraged to seek specialist assistance.

ESTONIA

CORPORATE INCOME TAX

The system of corporate earnings taxation currently in force in Estonia is a unique system that shifts the point of corporate taxation from the moment of earning the profits to the moment of their distribution. Corporate income tax is charged on profit distributions such as dividends, payments in the course of a reduction of the share capital and redemption of own shares and implicit distributions (i.e., fringe benefits, gifts and donations, as well as expenditures and payments not related to the business activities of the Company).

All of the above profit distributions are taxed at a rate of 21/79 of the net distribution, which amounts to 21% of the gross amount of the distribution. Corporate income tax imposed on distributed profits is not a withholding tax and thus is not influenced by the applicable international tax treaties. The Company is responsible for calculating and paying the corporate income tax as described above.

TAXATION OF DIVIDENDS

Dividend payments made by Estonian resident companies are not subject to withholding tax in Estonia but instead are taxed with the corporate income tax on distribution as described under sub-section *"Taxation - Corporate income tax"* immediately above. Dividend payments are subject to corporate income tax irrespective of the residence of the recipient or whether the recipient is a legal person or individual.

However, in certain limited cases Estonian companies are exempt from income tax on dividends. In particular, dividends are not subject to income tax, in case the income underlying the dividends is from dividends received from a company which is a resident taxpayer in an EEA member state or Switzerland (except off-shore territories), and provided that the Estonian company owned at the moment of receiving the dividends at least 10% of votes in the subsidiary (measure for avoidance of economic double taxation).

CAPITAL GAINS, TAX CONSEQUENCES OF SALE OR EXCHANGE OF SHARES

Income tax at the rate of 21% will be charged on gains realized by Estonian resident individuals upon sale or exchange of Shares. Since earnings of resident legal persons, including capital gains, are taxed only upon distribution, capital gains realized by resident legal persons are not subject to immediate taxation.

Income tax is charged on capital gains realized by non-residents from the sale or exchange of shares in an Estonian company only in very specific circumstances. Namely, income tax at the rate of 21% is charged in case of sale or exchange of at least 10% of Shares in a company of whose property, at the time of transfer or during certain period within two years immediately preceding the transfer, more than 50 per cent of the company's assets was directly or indirectly made up of immovable or structures as movables, which are located in Estonia.

At the moment, the Company does not meet the above criteria and thus the non-resident shareholders selling or exchanging their Shares will be exempt from Estonian income tax.

For the purposes of capital gains taxation, the gain derived from the sale of shares is the difference between the acquisition cost and the selling price of the sold shares. The gain derived from the exchange of shares is the difference between the acquisition cost of shares subject to exchange and the market price of the property received as a result of the exchange. A shareholder has the right to deduct certified expenses directly related to the sale or exchange of shares from the shareholder's gain.

Taxation of the payments made in the course of a reduction of the share capital of the Company, and in the case of redemption of its shares is similar to the taxation of dividends as described under sub-section *"Taxation - Corporate income tax" above.* Such payments will be taxed (at rate 21/79) at the corporate level to the extent exceeding the monetary and non-monetary contributions made before into this company.

PLAN OF DISTRIBUTION

RELATIONS WITH THE GLOBAL LEAD MANAGER

Swedbank AS as the Manager of the Offering is acting as the Global Lead Manager and book-runner of the Offering.

The Global Lead Manager has from time to time performed investment banking and advisory services for the Company for which they have received customary fees. The Global Lead Manager may, from time to time, engage in transactions with the Company and perform services for the Company in the ordinary course of their business.

EXPENSES OF THE ISSUE

The Management estimates that the Company's portion of the total expenses of the Offering will be approximately EEK 9.4 million (EUR 0.6 million), including the Company has agreed to pay to the Global Lead Manager a commission equal to 2.25 % of the Offer Price per each Offer Share. Therefore, in connection with this Offering, the Global Lead Manager will receive total commissions of approximately EEK 4.73 million (EUR 0.3 million) based on the mid-point of the Offer Price Range and assuming that the number of Offer Shares is not changed. The Company has also agreed to reimburse the Global Lead Manager for certain expenses and indemnify them against certain losses and liabilities arising out of or in connection with the Offering.

GEOGRAPHIC DISTRIBUTION

The Global Lead Manager proposes to market the Offer Shares in the course of the Institutional Offering at the Offer Price outside the United States in reliance on Regulation S to qualified institutional buyers. In addition to institutional investors internationally, Offer Shares will be marketed in a public offering (Retail Offering) in Estonia.

The Offer Shares have not been and will not be registered under the United States Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. In addition, until 40 days after the commencement of this Offering, an offer or sale of Shares within the United States by a dealer that is not participating in this Offering may violate the registration requirements of the Securities Act.

ALLOCATION TO EMPLOYEES AND MANAGEMENT

The members of the Supervisory Board and the Management Board of the Company and its employees may receive preferential allocation of Offer Shares in connection with the Offering. The Members of the Management Board (or the Supervisory Board) of the Company and employees of the Company or their relatives may choose to purchase Offer Shares at their own discretion. For more information on the preferential allocation to employees and Management, please see "Terms and Conditions of the Offering – Conditions" above.

LOCK-UP

Except for the Offer Shares, the Company and its shareholders have agreed that, without the prior written consent of the Global Lead Manager, none of such persons will issue, offer, sell, contract to sell, or otherwise dispose of any Shares owned by them at any time or any securities convertible into or exercisable or exchangeable for Shares, or enter into any swap or other agreement or any transaction to transfer the economic consequence of ownership of the Shares, or publicly announce an intention to effect any such transaction, during the period commencing on the date of this Prospectus and ending 360 days after the commencement of trading in the Shares on the NASDAQ OMX Tallinn Stock Exchange. However, lock-up does not apply to any Shares that the Company may issue and sell pursuant to any employee stock option plan, stock ownership plan or dividend reinvestment plan.

DETERMINATION OF THE OFFER PRICE

Prior to this Offering, there has been no public market for the Shares. Consequently, the Offer Price for the Offer Shares will be determined by negotiations between the Company, its shareholders and the Global Lead Manager. Factors relevant to the determination of the Offer Price include the results of operations of the Company, its current financial conditions, future prospects, markets, the economic conditions in and future prospects for the industry in which the Company competes, its management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly-traded companies considered comparable to the Company. For more information on the determination of the Offer Price, please see *"Terms and Conditions of the Offering – Conditions"* above.

OFFERING AND TRANSFER RESTRICTIONS

GENERAL OFFERING AND TRANSFER RESTRICTIONS

This Offering is not directed to persons whose involvement in the Offering requires any extra registration, prospectus or other measures in addition to those necessary under Estonian law. No action has been or will be taken in any jurisdiction other than Estonia, Latvia and Lithuania where action for that purpose is required, which would permit a public offering of the Shares or the possession, circulation or distribution of this Prospectus or any material relating to the Shares offered hereby. Accordingly the Shares may not be offered, sold, resold, allotted or subscribed to, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any other country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Subject to certain exceptions:

- the Shares may not be offered, sold, resold, granted, delivered, subscribed to, allotted, taken up, transferred or renounced, directly or indirectly, in or into any jurisdiction in which it would not be permissible to offer such Shares (referred to as the *"Ineligible Jurisdictions"*);
- this Prospectus may not be sent to any person in the Ineligible Jurisdictions;

Subject to certain exemptions, custodians are not permitted to send this Prospectus or any other information about the Offering into any Ineligible Jurisdiction.

Subject to certain exemptions, Subscription Undertakings or instructions sent from or postmarked in any Ineligible Jurisdiction may be deemed to be invalid. The Company reserves the right to reject any Subscription Undertaking (or renunciation thereof) in the name of any person who provides an address in an Ineligible Jurisdiction for acceptance, renunciation, subscription to or delivery of Shares, who is unable to represent or warrant that such person is not in an Ineligible Jurisdiction, or who appears to the Company or its agents to have submitted its Subscription Undertaking, or dispatched it from, an Ineligible Jurisdiction.

FOR SHAREHOLDERS IN THE UNITED STATES

The Shares have not been and will not be registered under the Securities Act of 1933 (the "Securities Act") or under the securities laws of any state of the United States and, accordingly, may only be offered, sold or allotted in the United States only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Any person in the United States who obtains a copy of this Prospectus is requested to disregard the contents of this Prospectus. In addition, until the expiration of 40 days after the later of commencement of the Offering or the closing date, any offer or sale of the Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act, unless such offer or sale is made pursuant to an exemption from, in a transaction not subject to, such requirements.

Each purchaser of the Shares purchasing such Shares in accordance with Rule 144A will be deemed to have represented, agreed and acknowledged that the purchaser is a qualified institutional buyer and is aware that the sale of the Shares to it is being made in reliance on Rule 144A and such acquisition will be for its own account or for the account of a qualified institutional buyer.

In making its decision to purchase the Shares, the purchaser understands and acknowledges that:

- it has made its own investment decision regarding the Shares based on its own knowledge;
- it has had access to such information as it deems necessary or appropriate in connection with its purchase of the Shares;
- it has sufficient knowledge and experience in financial and business matters and expertise in assessing credit, market and all other relevant risk and is capable of evaluating, and has evaluated independently, the merits, risks and suitability of purchasing the Shares; and
- the Shares have not been, nor will they be, registered under the Securities Act and may not be re-offered, resold, pledged or otherwise transferred except (1) (A) to a person who the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (B) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (2) in accordance with all applicable securities laws of the states of the United States.

FOR SHAREHOLDERS
OUTSIDE THE UNITED STATES

Each purchaser of the Shares offered, sold or allotted in reliance on Regulation S will be deemed to have acknowledged, represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- the purchaser or the subscriber (i) is, and the person, if any, for whose account it is acquiring such Shares is, outside the United States, and (ii) is acquiring the Shares in an offshore transaction meeting the requirements of Regulation S;
- the purchaser or the subscriber is aware that the Shares have not been and will not be registered under the Securities Act and are being distributed and offered outside the United States in reliance on Regulation S;
- the Company shall not recognize any offer, subscription to, sale, pledge, or other transfer of the Shares made other than in compliance with the above-stated restrictions;
- the Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S under the Securities Act; and
- the purchaser or the subscriber acknowledges that Company and its affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.

INDEX TO FINANCIAL STATEMENTS

Historical financial information presented below has been duly audited.
The following financial statements have been annexed to this Prospectus:

- 2009 Consolidated Annual Report of the Company;
- 2008 Consolidation Table
- AB Premia KPC Consolidated and Company's Financial Statements for the Year ended 31 December 2008;
- AB Premia KPC Consolidated and Company's Financial Statements for the Year ended 31 December 2007;
- Consolidatation Group Annual Report of AS Saaremere Kala for the period 1 July 2008 – 30 September 2009;
- Consolidatation Group Annual Report of AS Saaremere Kala for the Financial Year ended on 30 June 2008;
- Consolidatation Group Annual Report of AS Saaremere Kala for the Financial Year ended on 30 June 2007.