26th April 2010

Emerging Nordic Research

Premia Foods

Cool Food

A look inside Premia Foods

Contents

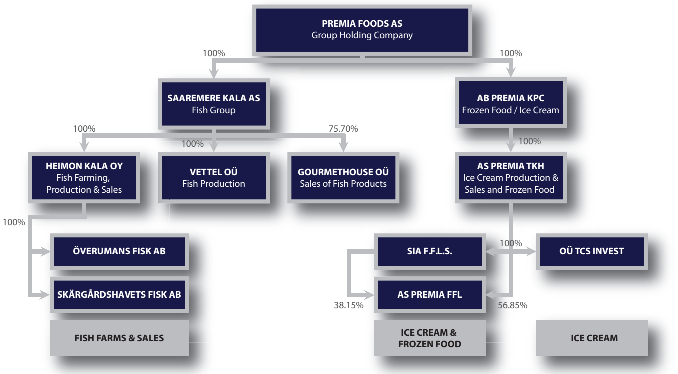
COMPANY COMMISSIONED REPORT

AS Premia Foods ("Premia"), a company incorporated in Estonia, a producer and distributor of deep-frozen and chilled food products has mandated AS Emerging Nordic Research (ENR) to undertake research into Premia and its operating industry with the task of producing an independently written report suitable for potential investors. The report contains a fair valuation range derived independently by ENR, using a combination of intrinsic and comparative valuation methodologies.

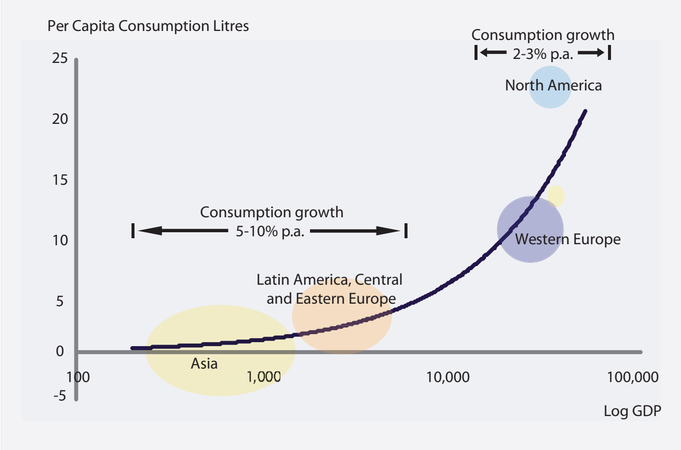
Other than the fee stated below, ENR will not be receiving any other compensation or benefits from Premia nor investment bank nor any other party associated with any Premia-related IPO process (should one take place). Premia agrees that ENR does not have any role in the IPO process (should one take place) and therefore absolves ENR of any associated liability therein.

Fees: Premia has agreed to pay a EUR 10,000 (ten thousand euro) fee to ENR in consideration of the work undertaken above.

For the avoidance of doubt, irrespectively to the fact that this report is commissioned by Premia, it may not, under any circumstances, be considered as a representation or warranty given by Premia to any person. Nor can the estimations and future prospects indicated herein be considered to be given by Premia. This report may not be considered to be part of Prospectus drawn up by Premia or any other public offering related document. Premia assumes no liability or responsibility for distribution or content of this report.



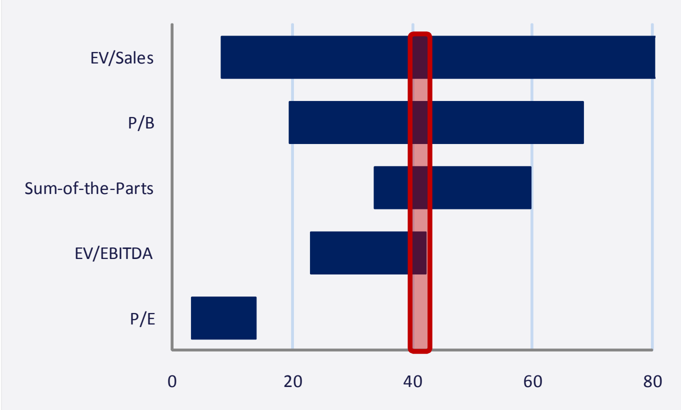
Corporate Map, p5



Patterns of Ice Cream Consumption, p15

Sum-of-the-parts valuation	EEKm	EURm
Enterprise value		
Fish	318	20
Ice cream	567	36
Frozen foods	-120	-8
Sub-total	**765**	**49**
All other segments	-4	-0
Unallocated income and expense	11	1
Total Enterprise Value	**772**	**49**
Less net debt	95	6
Equity value	677	43
Source: ENR		

Sum-of-the-parts valuation, p20



Valuation Summary, p23

Key Numbers	2007	2008	2009	2010E	2011E	2012E
Sales (EEKm)	995	1,210	1,075	1,278	1,392	1,454
Sales growth (%)	n.a.	21.6	-11.2	18.9	8.9	4.4
Net profit (EEKm)	44	-24	11	-5	15	33
P/E (x)	14.9	n.m.	64.1	n.m.	43.8	19.6
P/B (x)	2.4	1.5	1.5	1.0	1.0	0.9
EV/Sales (x)	1.0	0.8	0.9	0.6	0.5	0.4
EV/EBITDA (x)	8.9	12.6	9.6	9.1	6.5	5.0
EV/EBIT (x)	14.4	93.3	23.7	68.4	22.1	12.4
ROE (%)	16.1	-7.3	2.3	-0.9	2.2	4.8
ROA (%)	7.1	1.7	4.0	1.1	2.3	3.4
Quick ratio (x)	0.5	0.5	0.5	0.9	1.2	1.3

Source: Premia Foods, ENR NOTE: Throughout the report, historical data is provided by Premia Foods and forecasts are based on Emerging Nordic Research estimates. All multiples are based on a market capitalisation of EEK 642m, i.e. the mid-point equity value of ENR's derived fair value range, and the assumption that the company raises new equity of EUR 15m by issuing 14.5m new shares (EUR 1.03 per share).

Cool Food

- AS Premia Foods ('Premia') currently consists of a Nordic-Baltic processor and distributor of frozen and chilled foods, including ice cream, frozen foods and fish.
- The company is looking to expand its operations by way of organic and acquisition-based means. The key acquisition relates to an ice cream manufacturer located in St. Petersburg, Russia. ENR has assumed that an equity-based route has been chosen to do this, together with an indicated desire to repay some debt.
- The nature of the company's operations provide it with a defensive tag (staple goods), while the largest value-adding perspectives are dependent on branded products (fish, ice cream and frozen foods), alongside an integrated logistics service for frozen foods.

Investor Case

Premia's origins go back to the 1930s and the 1950s, when two ice cream factories (one in Lithuania and the other in Estonia) began production. Since that time, various restructuring and acquisitive transactions have seen it expand and consolidate throughout the Baltic states, purchase businesses in Finland and is now looking to make its debut in Russia in 2010. In short, the company now comprises of (in order of revenue importance):

- Vertically-integrated aquaculture business (fish farming) with a Finnish focus
- Frozen foods business (Pan Baltic focus with logistics network)
- Ice cream manufacturing (Pan Baltic focus, entering Russia via acquisition)

Market positioning is favourable, as it holds the number one position in the Baltic ice cream market (and is acquiring the number two in St. Petersburg), and second place in the Finnish chilled fish market. In the Baltic market its activities are completed by a strong position in the frozen foods market as well as its logistics network.

The macro climate for the Baltics and Finland painted by the European Commission is as follows for 2010 and 2011 respectively: Estonia -0.1% and 4.2%, Latvia -4.0% and 2.0%, Lithuania -3.9% and 2.5% and Finland 0.9% and 1.6%. Russia's growth forecast from the IMF is 3.6% and 3.4% respectively. All in all, this means economic stabilisation (rather than further weakness) in the Baltics while Finland undergoes a tepid recovery.

Within the Baltics, Estonia is clearly well ahead of Latvia and Lithuania in terms of economic health with the odds still favouring a successful accession to the eurozone in 2011 (it now comes down to a political decision in an European-wide perspective). Latvia will probably continue to hobble along due to the severity of the bust there. Nonetheless the climate is very different to that of 12 months ago, when most investors were convinced of the imminent external devaluation of the Baltic currencies. That said, all three economies have managed to restructure to a degree using the process of internal devaluation (prices, wages), a challenge which now faces countries such as Greece. However, it must also be remembered that the private sector still carries heightened levels of debt.

To conclude, Premia Foods is a company with exposure to the chilled and frozen foods segments. This is a defensive sector from an investment perspective, with growth opportunities looking better in coming years, with a recovery of sorts expected in its sales markets (including new possibilities in the HoReCa segment). The company's ability to succeed in building brand loyalty as well as establishing new products/brands is critical for its success due to the nature of the business it is in. At this juncture, ENR believes that the greatest future value potential resides in the ice cream and frozen food activities, rather than the fish-related businesses.

ENR has valued the company's segments individually and has allocated previously unallocated expenses across the sectors. Therefore, historical segment results may not be directly comparable to ENR's forecasted segment profits.

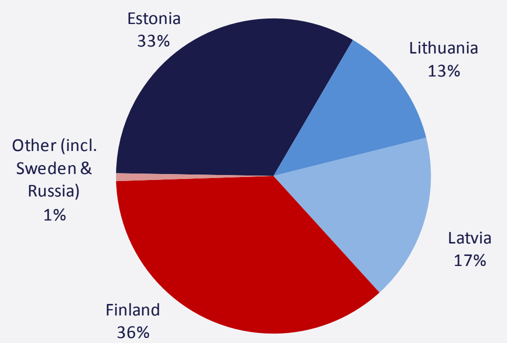
ENR places a fair value range of EUR 39-43m for AS Premia Foods' equity, were the company to become a listed entity on the NASDAQ OMX Baltic market, subject to also increasing its equity financing by EUR 15m (and reducing its debt load). We have arrived at this conclusion using a combination of intrinsic and comparative valuation methodologies.

► PREMIA FOODS AS

Premia Foods is one of the leading ice cream, fish and frozen foods producers in the Baltic States. It has operations in five northern European countries, including Estonia, Finland, Latvia, Lithuania and Sweden, with plans to strengthen its position in Russia (St. Petersburg) through the acquisition of a local company. Currently Estonia and Finland are the company's two largest markets.

The company's origins can be traced back to two separate production facilities, both making ice cream: Premia KPC of Lithuania, which began production in 1936, and Premia TKH of Estonia, which was started in 1956. Seventy years later, the Amber Trust acquired both companies to add to other acquisitions: Vettel (an Estonian fish processor) and Heimon Kala (Finland's second largest fish processor).

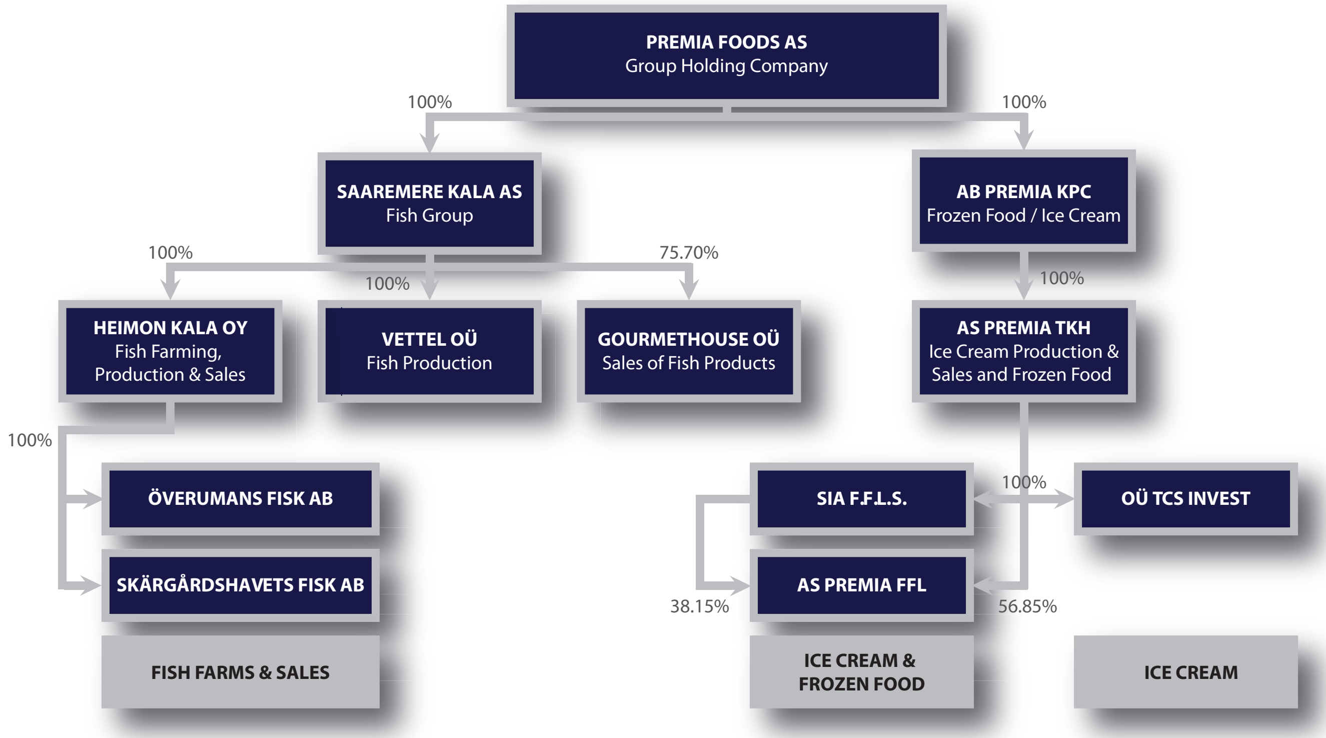
Revenue split by country, 2009



Source: Premia Foods, ENR

In later years, both parts of the company dealing with fish were rolled into Saaremere Kala, which was established after the integration of another acquisition, GourmetHouse, an Estonian fish product's wholesaler. In 2007, the ice cream and frozen foods segments were bolstered by the purchase of Latvia's largest frozen foods distributor (FFL), creating a pan-Baltic deep frozen goods network. It also acquired the trademark rights to OOO Khladokombinat No 1 – a leading St. Petersburg ice cream producer.

The Amber Trust merged Premia KPC and Saaremere Kala in 2008 under Premia Foods, creating today's integrated and horizontally diversified food producer. Currently, Premia Foods is owned by Amber Trust S.C.A. and Amber Trust II S.C.A., DCF Fund II Baltic States, Firebird Republics Fund, Firebird Avrora Fund and the company's management.



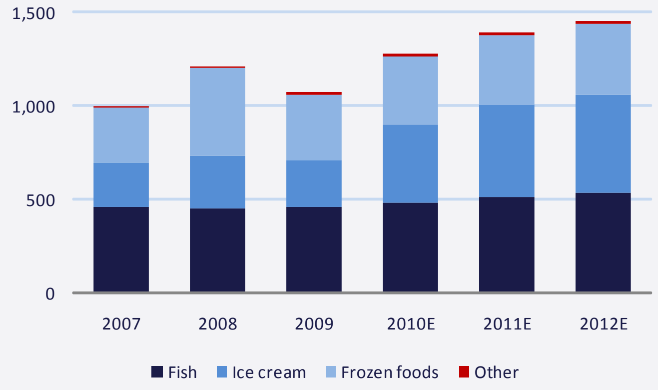
Food Diversification: Overview

Premia Foods has three main product categories: fish, ice cream and frozen foods (including vegetables, meat products and pizzas). The company handles its own production (though some can be outsourced), distributing it to HoReCa (hotel, restaurant and cafe), wholesalers and retailers. The company's main clients (i.e. worth more than 10% of sales) in 2009 generated EEK 390m, or 36% of total sales. During 2009, Premia Foods worked on expanding its sales to HoReCa, especially in Finland, and this will remain a focus in 2010 as well.

Although ice cream is not currently the largest contributor to revenues, ENR finds it the most interesting of all Premia Foods' products, especially given the company's plans to expand into Russia. This should give 2010-12E revenues a y-o-y boost and add greater clout to the ice cream segment. Overall, we feel this would be a positive outcome for the company, with the ice cream segment historically generating the best operating margins.

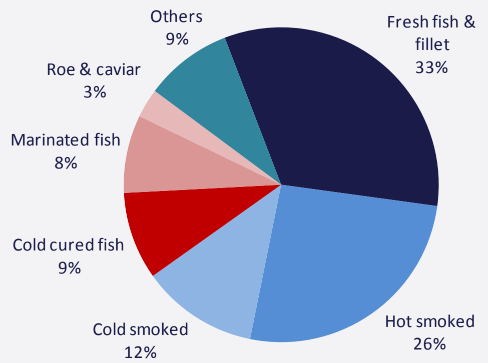
Saaremere Kala is responsible for the group's fish operations, which, in terms of revenues, contributed the largest share of any segment in 2009, earning 43% of total sales. The company has a hand along the entire length of the value chain, from fish hatchings to production, and finally sales. The company's farms, located in Swedish mountain lakes and Finnish open waters, breed mostly rainbow trout, whitefish and arctic char and are protected through vaccinations. 40% of the company's supplies come from its own aqua farms. The remainder predominantly comes from Norway (e.g. salmon) and the rest of Scandinavia, including Denmark, should there be a problem with their own supply or more attractive sourcing opportunities in the market.

Revenue by segment, EEKm



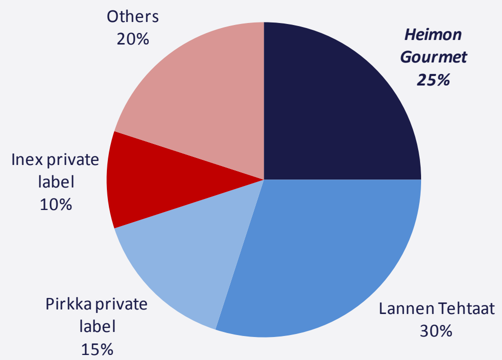
Source: Premia Foods, ENR

Fish product portfolio in 2009



Source: Premia Foods

Finnish packaged chilled fish market in 2009



Source: AC Nielsen, management estimation

The fish market is intensely competitive, but Premia Foods' Heimon Gourmet holds a quarter of the Finnish retail market (its main geographic market). The company also has a strong position in Estonia and, by expanding its product range, has been able to find new retail and HoReCa clients – the continued development of HoReCa sales in Finland is one of the company's aims for 2010. Among their most popular products are sliced salted or smoked trout or salmon.

Premia Foods leads the Baltic market in ice creams, with strong local and Pan-Baltic brands. Ice cream accounted for only 23% of the whole group's revenues in 2009, but the majority of its total operating profit. As well as marketing its own merchandise, the company generates some revenues from producing private label brands for Baltic retailers.

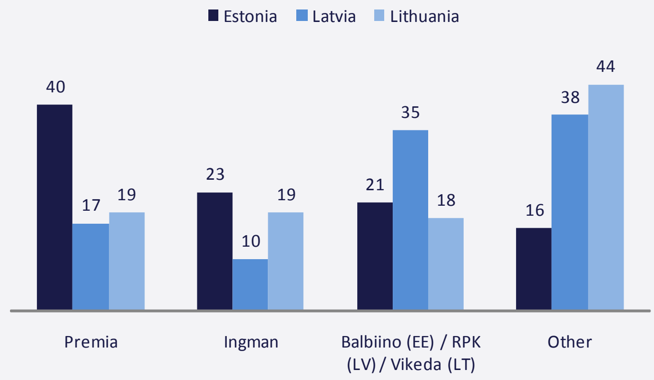
The company provides a range of products targeted at different types of custom: impulse buying, family packs and supplying HoReCa. Its ice cream is manufactured in Estonia, where it is producing at approximately 85% of its 8,000t annual capacity. Raw materials account for 60% of production costs, with the main input, cream (rather than milk), sourced through long-term agreements with local suppliers (though alternatives exist were something to go wrong). On top of its production line, Premia Foods has established a logistics network for frozen foods and ice cream that spans the Baltic and St. Petersburg region. This is used to distribute not only its own merchandise, but goods from third parties too.

As the attraction of convenience foods has grown, so have the possibilities of supplying "quick-to-cook" frozen foods. Within the group, Premia KPC handles frozen foods, which contributed a third of all sales in 2009. The company's local and pan-Baltic brands perform strongly and, depending on the category, can hold up to 15-50% of the local market.

In 2009, 48% of the frozen foods segment's sales were in Estonia, followed by 38% in Latvia and 14% in Lithuania. In each of these countries, Premia Foods offers a diverse range of products, including vegetables, meat products, semi-ready and ready meals, and others. However, due to changes in consumer habits and spending in 2009, "fast" foods such as French fries and pizza fell out of fashion, while the relative proportion of dumplings and local specialities sold increased.

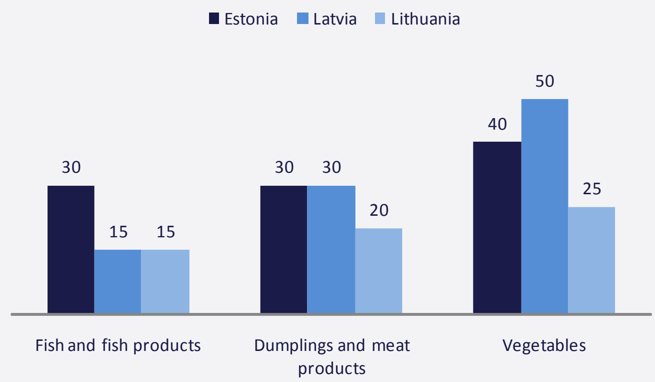
The cost of establishing a pan-Baltic logistics network for frozen foods (including ice-cream) acts as a relatively high barrier to entry. This provides Premia Foods with an edge in the market and enables it to provide services for international brand owners throughout the Baltic states. Premia Foods has already developed several partnerships along these lines (with Aviko, Esva, Hortex, Felix, among others).

Ice Cream Market Share by Country in 2009



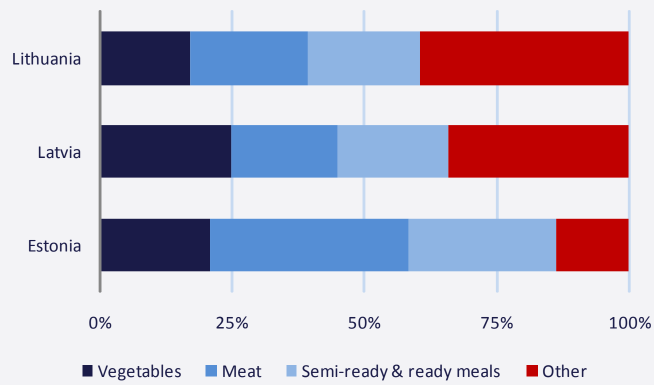
Source: AC Nielsen, value shares, June-July 2009

Market shares of frozen food in the Baltic states in 2009



Source: Management estimation

Frozen food portfolio in 2009



Source: Premia Foods

Further Acquisitions in Mind

Ultimately, Premia Foods has given itself five years to become the leading brand owner, producer and distributor of deep-frozen and chilled foods in its operating region, keeping an eye out for potential acquisition candidates along the way. The first step would be to acquire OOO Khladokombinat No 1 (Khladokombinat No 1), for which Premia Foods already owns the trademarks. With local brands benefitting from a strong loyalty that makes it difficult for foreign companies to enter Russia's market, Premia's management sees owning a local brand as a definite competitive advantage. Other than already owning its trademarks, there are additional reasons Premia Foods would benefit from buying the company outright. Over its 100 years of operating history, Khladokombinat No 1 has established a strong portfolio of brands, which today account for roughly a fifth of ice cream sales in St. Petersburg (and nearly 2% of Russia's).

The company also has a well-developed distribution chain, which includes agreements with more than 90 wholesale customers, 90 HoReCa customers and 550 retail stores. Trademarks owned by Premia Foods can be found in all of the main retail chains. Owning such a company would open up St. Petersburg's ice cream market to Premia Foods, which (based on company estimates) was worth EUR 57m in wholesale terms (sales) in 2009 and offers a client base that annually consumes approximately 8l of ice cream per capita (twice the Russian average).

The addition of Khladokombinat No 1's production capacities, approximately 6,000t annually (which represents a 75% increase on Premia Foods' current levels), would also greatly increase Premia Foods' ability to generate revenues. Khladokombinat No 1's sales totalled around EEK 177m in 2009, while Premia Foods earned EEK 252m. However, much would need to be done to improve on efficiency: Khladokombinat No 1's EBITDA margins in 2009 were 4% (-4% in 2008), compared to 16% for Premia Foods, and are expected to be 7% in 2010.

Premia Foods would need to secure additional financing to pull off such an acquisition. The company is not heavily indebted, with net debt-to-equity of 67% in 2009, within range of the 2007-09 peer group median of 57%. However, with bank financing currently difficult to secure, the company has decided to try alternatives: i.e. raising new equity.

► INDIVIDUAL SEGMENT ANALYSIS

Although a snapshot from before the onset of the current recession, Eurostat's figures for 2005 show that people in the Baltics spent more a greater share of their household consumption expenditure on food than in the EU as a whole. As a case in point, the average Lithuanian appears to spend twice as much on food than the average consumer in the EU as a whole.

Household consumption expenditure in 2005, %	Estonia	Latvia	Lithuania	Finland	EU-15	EU-27
Total food	20.8	27.4	31.8	11.7	12.6	15.6
Fresh, chilled or frozen meat of bovine animals	0.1	0.4	0.3	0.2	0.7	0.7
Fresh, chilled or frozen meat of swine	1.1	2.3	3.0	0.3	0.3	0.6
Fresh, chilled or frozen meat of poultry	0.4	0.8	1.1	0.2	0.4	0.7
Other preserved or processed meat and meat preparations	1	0.7	2.8	0.2	0.3	0.4
Fish and seafood	1	1.3	1.7	0.6	0.9	0.9
Fresh, chilled or frozen fish	0.3	0.5	0.7	0.3	0.5	0.5
Fresh, chilled or frozen seafood	0	0	0	0	0.1	0.1
Dried, smoked or salted fish and seafood	0.2	0.3	0.6	0.1	0.1	0.1
Berries (fresh, chilled or frozen)	0.3	0.5	0.4	0.3	0.1	0.1
Leaf and stem vegetables(fresh, chilled or frozen)	0.1	0.2	0.1	0.1	0.1	0.1
Vegetable grown for their fruit (fresh, chilled or frozen)	0.6	1.1	0.9	0.4	0.2	0.4
Edible ices and ice cream	0.2	0.3	0.2	0.2	0.1	0.1
Source: Eurostat						

Premia Foods is among the largest of Estonia's food manufacturers. By way of comparison, at the end of 2007, the company had sales of EEK 995.4m with an operating margin of 7.3% and ROE of approximately 16.1%. At the same time, at the end of 2007, the median net sales of Estonian food producers was EEK 4.8m with a corresponding operating margin of 3.7% and ROE of 10.0%. With the exception of ROE, all of these metrics were up relative to 2006 (net sales: EEK 4.4m, operating margin: 3.2%).

However, ENR does not feel that it is appropriate to view Premia Foods' operations on a cumulative basis. Instead ENR's analysis splits the company into its component parts. In doing this, we have tried to focus on the merits of the various segments, with the ultimate goal of being able to identify the company's true strengths and value contributors. We have therefore split the financial analysis into five parts:

Fish Segment

From the table above it is clear that fish is a popular product throughout Premia Foods' operating region. The company's core market for chilled fish is Finland, the retail value of which is worth some EUR 75m. For comparative purposes, in 2006, there were over 4,000 companies participating in Europe's seafood industry, the top 25 of which generated revenues of EUR 14bn. The most common item sold was smoked salmon, with roughly 100,000t of the finished product consumed in the EU in 2005 (produced from 180,000t of raw fish). At that time, the European market for smoked salmon was expected to expand 7% per annum to 2010.

Per capita fish consumption: Finland, Filleted weight, kg	2004	2005	2006	2007	2008	2009E
Domestic fish						
Farmed rainbow trout	1.3	1.4	1.1	1.1	1.2	n.a.
Baltic herring	0.8	0.7	0.5	0.4	0.4	n.a.
Pike	0.7	0.7	0.8	0.7	0.6	n.a.
Perch	0.6	0.6	0.7	0.7	0.5	n.a.
Vendace	0.8	0.7	0.6	0.6	0.6	n.a.
European whitefish	0.3	0.3	0.3	0.5	0.3	n.a.
Pikeperch	0.3	0.3	0.3	0.3	0.3	n.a.
Other	0.5	0.5	0.7	0.7	0.5	n.a.
Total	**5.3**	**5.2**	**5.0**	**5.0**	**4.4**	**n.a.**
Imported fish						
Farmed salmon	2.4	2.1	2.1	2.9	2.8	3.5
Farmed rainbow trout	0.7	0.8	0.9	0.8	1.0	1.0
Canned tuna*	1.7	1.6	1.5	1.7	1.7	1.6
Saithe (frozen fillet)*	0.6	0.4	0.4	0.4	0.5	0.4
Shrimp*	0.5	0.5	0.5	0.6	0.6	0.6
Preserved herring*	0.5	0.5	0.6	0.5	0.6	0.3
Other*	3.4	2.8	3.5	4.8	4.0	4.1
Total	**9.8**	**8.7**	**9.5**	**11.7**	**11.2**	**11.5**

*Source: Finnish Game and Fisheries Research Institute * Salmon and rainbow trout are presented in filleted weight, other species as product weight.*

Much of this new demand was expected from health-conscious consumers increasingly aware of the beneficial effects of salmon, which is a good source of omega-3 polyunsaturated fatty acids, as well as eicosapentaenoic and docosahexaenoic acids (both of which have been shown to reduce the risk of cardiovascular diseases, in addition to helping with other conditions).

Within Finland, the per capita consumption of imported fish has risen. Most importantly, though, is the increased demand for rainbow trout and salmon, Premia Food's two main products, sold under the Heimon Gourmet brand.

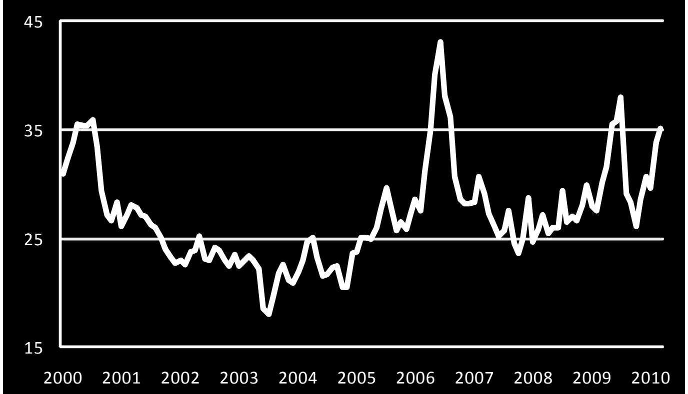
Other than Baltic herring, rainbow trout and salmon are the most commonly used fish in processed products. This correlates with the overall increase in demand for both fish and underlines the strength, and importance, of Premia Foods' brands, which accounts for a quarter of the Finnish chilled fish market.

Use of fish for processed products in 2007 by species, 000kg raw material	Baltic herring	Rainbow trout	Salmon	Other	Total
Deep frozen	24,804	3,614	252	326	28,996
Fresh fillet	4,191	6,625	12,119	3,125	26,060
Slightly salted	109	1,358	378	74	1,919
Smoked or cold smoked	378	6,785	986	1,146	9,295
Preserves or semipreserves	292	112	48	4,295	4,747
Ready-to-eat food	337	1,555	175	647	2,714
Other	24	13	41	423	501
Total	30,135	20,062	13,999	10,036	74,232

Source: Finnish Game and Fisheries Research Institute

These developments have made the fish segment the main source of sales for Premia Foods (10% of Finnish revenues are generated from private label contracts). Although income has, on the whole, remained relatively flat over the previous two years, reflecting the wider downturn in the economy, last year the company saw its earnings increase 1% (the only one of the main segments to record growth). This can be attributed to the expansion of sales to HoReCa, the development of new and improved packaging, and the entry into the Swedish market (though non-core country operations accounted for only 1% of total group sales). Although the segment's growth has been marginal for some years, we feel that the increasing popularity of fish, especially of those varieties handled by Premia Foods, and the strength of the brand throughout the operating region warrants a base growth rate over that of inflation.

Salmon prices, NOK/kg



Source: Bloomberg

In addition to this, since late 2009 salmon prices have rebounded after global supplies were hit by disease (already Chilean supplies have fallen 75% since 2007 due to salmon anaemia). The market appears to believe that prices in Q2 2010 could be even higher than in Q1 (prices are still off their peak of 2006). This would mean increased costs for the company (which purchases salmon). But because it would affect everyone in the market, it should be possible for Premia Foods to pass these onto its clients (and ultimately the consumer) and thereby increase the segment's revenue growth (especially were this trend to feed through into other varieties of fish, e.g. rainbow trout, which Premia Foods focus on).

Profits in the fish segment are influenced by fluctuations in the global price of salmon and trout (which are sensitive to production levels elsewhere, particularly in Chile and Norway, the two largest producers of salmon). However, the vertical integration of Saaremere Kala, with its fish farms, has helped reduce Premia Foods' exposure to such fluctuations. Saaremere Kala holds permits to breed 2,600t of fish a year (1,100t in Finland and 1,500t in Sweden), equivalent to approximately 40% of Premia Foods' annual intake.

Fish Segment, EEKm	2009	2010E	2011E	2012E
External revenue	458	486	512	538
Intersegment revenue	2	2	2	3
Total gross segment revenue	**460**	**488**	**515**	**541**
Segment operating profit	16	10	17	25
Segment operating profit margin, %	3.5	2.1	3.3	4.6
EBITDA	32	31	39	46
EBITDA margin, %	7.0	6.5	7.6	8.6
Depreciation and amortisation	16	21	22	22
Capex	5	14	5	7
Source: Premia Foods, ENR				

The company takes steps to reduce the potential risks to its own harvest, such as vaccinating the fish. However there are other dangers that the company can do very little about, like variations in the water temperatures, which can limit the periods in which the company can release young trout (as compared to Chile where water temperatures are more stable).

Although the segment's operating margin was only 3.5% in 2009, ENR feels that, given time, a higher margin should be achievable. The average operating margins of 11 listed Norwegian companies (all involved in similar activities) between 2007 and 2009 were 9%

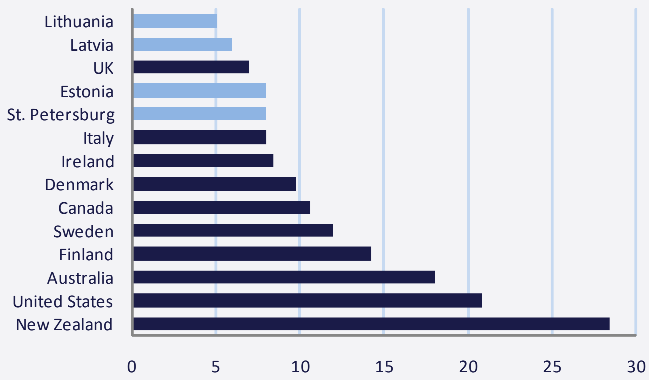
Ice Cream Segment

The company estimates that the Baltic's wholesale market for ice cream is worth some EUR 73m and has a four-year CAGR of 3-5%. The economic crisis saw the value of the market dip 15% in 2009, with Latvia proving most vulnerable to the changing conditions. As a result, the company's ice cream sales fell by 9%, with the premium brands being hit the hardest. The Finnish market features competition between brands, like Ingman and Nestle. However it is not a target market for Premia Foods' branded products.

However, we believe there is more growth to come from the sector. According to Datamonitor, in 2008 the European ice cream sector was estimated to be worth approximately EUR 15bn and was set to increase at a CAGR of almost 3% to reach EUR 17bn by 2013. We do not believe that the Baltics should be the exception and that a gradual increase in per capita consumption, as already identified by Premia Foods in Estonia, should support our growth forecasts. However, questions could be raised over how far this process has to go, as already consumption per capita in both Estonia and St. Petersburg already equals that estimated for Italy and is more than in the UK.

Plenty of warnings must be attached to country comparisons. Logic would tend to suggest that warmer climates would favour the sale of ice cream, however, with more ice cream being sold in northern Europe over southern Europe, a more important determinant seems to be dietary: the northern Europeans eat far more dairy products than their southern neighbours. Other explanations suggest that this tendency is related to different household freezer capacities in different regions of Europe (as well as the inclusion of ice confections in the ice cream definition).

Annual ice cream consumption per capita, litres



Source: Premia Foods, Unilever

We believe that sales from existing operations have the scope to increase in value at a faster rate than the EU as a whole. We therefore applied a diminishing annual growth rate, starting at 6% in 2010 (with approximately 5% of Baltic sales earned from the contract manufacturing of private label ice creams). In addition to this, we expect the company to proceed with the acquisition of Russia's OOO Khladokombinat No 1 during Q2 2010. Based on sales of EUR 11m in 2009 (which were expected to rise 13% in 2010), we estimate that the addition of Khladokombinat No 1 will earn Premia Foods EUR 10m in the remaining eight months of 2010 and contribute to substantially higher revenues in 2011.

Even though it is the smallest contributor in terms of revenues, the ice cream segment enjoys significantly higher operating margins than the other segments. The company aims, in general, to widen its margins further, though Khladokombinat No 1's poor margins could pose difficulties until a turnaround is effected. Whereas Premia Foods' EBITDA margin for ice cream was 16% in 2009, the corresponding margin for the Russian company was only 4%. However, the company expects that margins on own branded ice cream should increase to 12% over time if it can raise its operating efficiency. As the company is able to extract higher margins off own branded ice cream, it is more efficient for Premia Foods to focus on this, rather than private label products that have lower profitability.

Ice Cream Segment, EEKm	2009	2010E*	2011E	2012E
External revenue	252	417	492	517
Intersegment revenue	0	0	0	0
Total gross segment revenue	**252**	**417**	**492**	**517**
Segment operating profit	24	23	32	39
Segment operating profit margin, %	9.4	5.5	6.4	7.6
EBITDA	41	52	62	69
EBITDA margin, %	16.5	12.4	12.5	13.3
Depreciation and amortisation	18	29	30	29
Capex	2	80	5	6

*Source: Premia Foods, ENR *Capex includes EEK 78m (EUR 5m) for the acquisition of OOO Khladokombinat No 1.*

The other factor determining the company's margins is pressure from either end of the product chain, i.e. retailers trying to hold prices down, or higher farmgate milk and cream prices. In order for the company to improve on its margins, it will need to continue controlling these costs, at the same time as pushing revenues higher and, should it buy it, lifting the efficiency of Khladokombinat No 1. There are no major reasons to doubt this is possible.

The highly seasonal nature of ice cream sales makes it necessary for Premia Foods to diversify its operations during the winter. The company's own figures indicate that the gap between the peak and trough can be as much as 6x in Lithuania.

Frozen Foods Segment

Busier lifestyles and growing purchasing power have driven a worldwide shift in consumption towards simple-to-make convenience foods. Eastern Europe has proved no exception: in a recent study, Datamonitor estimated in 2008 that the region's frozen foods market would grow at a CAGR of close to 7% until 2012.

A selection of Premia Foods' brands

In a time of growing obesity and increased health-awareness, one wonders what kind of balance, between convenience and ease, on the one hand, and health, on the other, will be struck in the future. Based on the growth in the production of processed foods, it would appear that, today, convenience is winning out (still, many of these problems could be alleviated by increasing the quality (and cost) of the food). Premia Foods is heavily active in this sector. It outsources the manufacturing of these goods, distributing them under its own brands throughout the Baltics. It also provides sales, logistics and marketing services to internationally recognised frozen food brands. However, although the segment is the second largest in terms of revenues, it operated at a loss in 2009. ENR considers this an economically-driven "glitch," caused by the financial stresses of the downturn pressing down upon the consumer (especially in Latvia). In turn, this has applied pressure to food prices. The retailers are trying to pass any price reductions onto the food manufacturers, which, if successful, could show up later in this year's results. This would threaten the livelihood of smaller manufacturers and open the market to M&A activity. The frozen foods and ice cream segments rely on a common logistics system and is a unique facet of Premia Foods' operations.

These economic impacts saw sales of frozen foods decline 25% y-o-y in 2009 (59% growth in 2008, due to PFFL purchase in October 2007). With signs of an economic recovery, ENR believes that the company will see sales growth during the forecast period. However, in our opinion, this is likely to be at a slower rate than before, as customers shop more conservatively. On this premise, we estimate that, by 2012, frozen foods will generate revenues of EEK 383m for Premia Foods (28% of total expected revenues). Such sales growth should allow the segment to operate profitably again in time, but, we feel, with the smallest operating margin, relative to fish and ice cream. While 2.5% corresponds with the average 2007-09 operating margin of five listed Nordic companies that focus on the production of processed foods, one cannot overlook the coexistence between frozen foods and ice cream for Premia Foods. We stress the strategic coexistence between ice cream and frozen foods for seasonality considerations and common logistical linkages.

Frozen Foods Segment, EEKm	2009	2010E	2011E	2012E
External revenue	351	361	372	383
Intersegment revenue	0	0	0	0
Total gross segment revenue	**351**	**361**	**372**	**383**
Segment operating profit	-18	-23	-19	-15
Segment operating profit margin, %	-5.1	-6.4	-5.0	-4.0
EBITDA	-4	-3	2	5
EBITDA margin, %	-1.2	-0.8	0.7	1.3
Depreciation and amortisation	14	20	21	21
Capex	1	2	4	5
Source: Premia Foods, ENR				

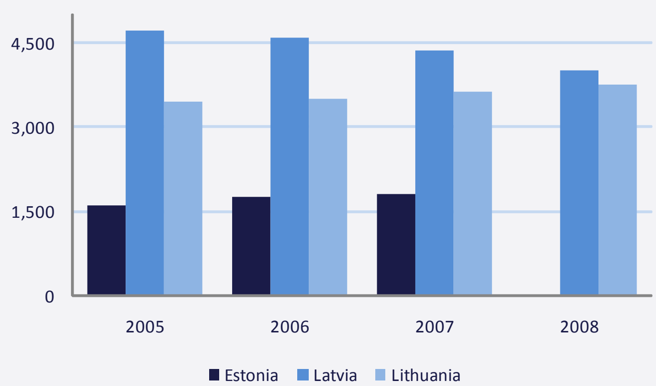
Other Financial Considerations

In addition to its core segments, Premia Foods also earns revenues from other sources. These include services, like logistics, which contribute approximately 1% of sales. The company's logistics setup, which runs independently from the rest of the group, has enabled it to form distribution partnerships with other international companies. The company has also managed to reduce its logistics costs by outsourcing it in Finland. Based on the company's indications, this should provide some savings and possibly additional revenues from property assets previously used for this.

HoReCa Distribution

With one-fifth of its sales coming from clients in the Hotels, Restaurants and Catering industry, the company has identified this network as an important target for development. Already, specialised products appear in its inventory for fish products, frozen foods and ice creams. According to a study by the Swedish Trade Council, these clients tend to purchase convenience foods, which fits neatly with other shifts in consumption patterns outlined earlier.

Number of catering and accommodation establishments



Source: Central Statistical Bureau of Latvia, Statistics Estonia, Statistics Lithuania

The potential HoReCa client base has continued to grow in the Baltics. Both Lithuania and Estonia have seen a wave of new catering and accommodation facilities opening recently (in Latvia, catering establishments have been closing but accommodation continues to expand). As the economy recovers, so should opportunities for those supplying the HoReCa network. The Baltic consumer has shown willingness to spend money on accommodation and catering services. In Lithuania, for example, the annual per capita turnover of restaurants, bars and other catering enterprises increased from LTL 222 in 2005 to LTL 314 in 2008, when total turnover reached LTL 1bn (nearly EEK 5bn). Comparatively, in Estonia, the sales of catering services increased 37% from 2005 to 2007 to nearly EEK 6bn.

The challenge, especially in the Baltics, is to find a distribution partner capable of covering the whole region. For Premia Foods this may represent an opportunity to expand on its existing partnerships and broaden its range of convenience foods.

Away from its core business, the company also owns a portfolio of investment properties (currently land and buildings at Peterburi tee 42, Tallinn, which are no longer in use). These were revalued in 2009, "earning" the company an additional EEK 30m, tipping the accounts away from an annual loss to an annual profit. Although the property market has begun to stabilise, for the sake of prudence, we have assumed there will be no further gains from revaluation, taking into account the severity of the region's property market crash (save for the logistics comment in the previous paragraph).There are other incomes and expenses incurred by the company, but these are immaterial as they equate to just 1% of sales.

Financial expenses (specifically interest) exceed EEK 20m per year, though this has fallen with the repayment of debt. ENR assumes, though, that the company's financial obligations will increase, with the company targeting a debt-to-equity ratio of 50-70%, provided feasible investments are available.

Profitability

Overall, ENR expects the company's profitability to improve with gains in efficiency across the various segments. Premia Foods is targeting an EBITDA margin from operating activities of 8.5% by 2012. As demonstrated by the 2012E revenue and net profit sensitivity table below, we feel this should be achievable, with the ice cream sector as the main driver.

Sensitivity to changes in segment sales, EEKm	Lower bound	Base case	Upper bound
Total group revenues, 2012E			
Fish	1,377	1,454	1,539
Ice cream	1,414	1,454	1,495
Frozen foods	1,399	1,454	1,514
Total group net profit, 2012E			
Fish	29.8	32.7	35.9
Ice cream	29.7	32.7	35.9
Frozen foods	33.5	32.7	31.9

Source: ENR

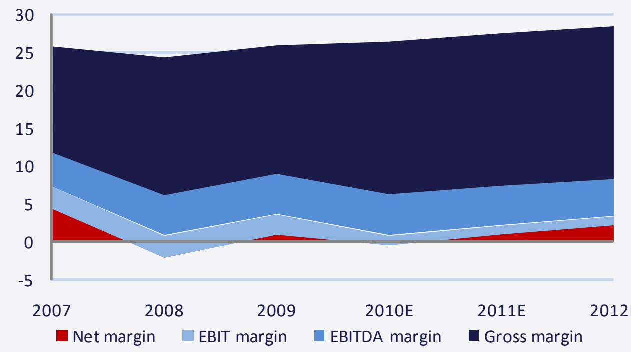
For this sensitivity test, we adjusted our annual sales expectations for each segment by 5% in both directions and applied this to our consolidated expectations. From this, we can see that, although ice cream never increases or decreases sales by a greater amount than the other segments, it has the biggest impact on profitability. This implies that should the company manage to successfully strengthen its ice cream margins (which are already higher than the other two segments), it should be see an improvement in the consolidated bottom line.

As discussed previously, we have assumed that the segments successfully widen their margins and this, combined with reduced financial burdens, should result in improved profitability. However, it is important to recognise that our expectations indicate that the company may incur a loss in 2010.

This does not represent a fall in financial strength: it is simply that the company will not be able to repeat the revaluation of its investment property. If we strip out these gains and additional gains made on the revaluation of biological assets, as well as other incomes and expenses, we would see 2009 operating profit fall from EEK 39m to under EEK 4m. Our forecast sees this figure (i.e. the stripped value) increase to EEK 10m in 2010.

Over the forecast period, the company should begin generating a net profit without the assistance of these accounting revenues. We think margins will widen to the point that, in 2012, the company can produce EBITDA margins of 8.7% on operating activities, and a corresponding 2.2% net profit margin.

Profit margins, %



Source: Premia Foods, ENR

We have made the assumption that the company will begin to pay investors a dividend from 2011 earnings at a payout ratio of 10%.

► SEPARATING THE FISH FROM THE (ICE) CREAM

The section outlining the sum of the parts valuation is still to come. However, at this stage, it is important to note, that ENR believes that Premia Foods should be viewed more from a consumer products angle, rather than routinely 'doing the financials' and seeing what the aggregate picture looks like. If we consider the product groups, there are really only two:

- fish and
- ice cream and other frozen foods

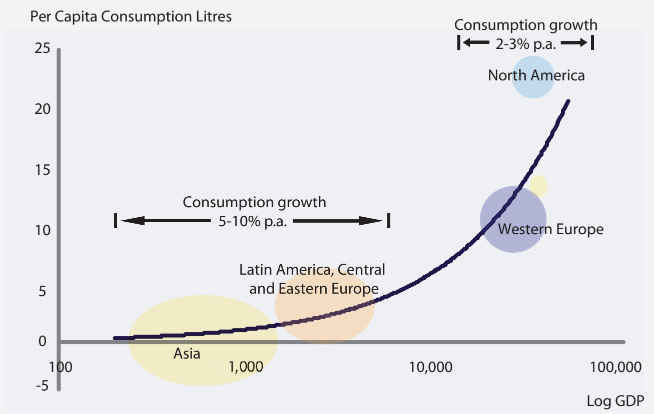
From an industry perspective, aquaculture has, in ENR's mind, long been considered a lucrative industry. Even so, it simply has not delivered superior 'value', in the form of profitability (judging by the returns generated by a swathe of listed peers in the Nordic region, nor the actual performance of Premia Foods' fish business to date).

It is also interesting that consumer giants, such as Nestle or Unilever, have not gone into fresh fish in a major way – certainly a different story when it comes to ice cream and frozen foods (where both are leading global players).

It is here that ENR sees the most potential for 'brand value recognition' – i.e. building a brand portfolio (combined with strong market share and infrastructure/logistics) that might just make an attractive target for an international player to acquire. Why focus on such a possibility? As the Baltic macroeconomic landscape gradually improves, it will certainly become fashionable to 'go shopping' for growth opportunities in emerging markets such as this.

For ENR, the ice cream story is not purely a 'growing income – consumption' argument, as tastes change and there are always cultural differences to account for. Still, looking at data from Unilever, there does appear to be a link between GDP and per capita consumption (as per the chart).

Developing a Taste



Source: adapted from Unilever, ENR

As spending power increases, so more upmarket products, e.g. those containing more cream, can be introduced. This tends to make it easier to improve margins, particularly if such products are bought impulsively, rather than in bulk (thus generating greater sales margin per litre of ice cream sold). Therefore, branding and successful advertising becomes an even more important ingredient for success.

Valuing brands, however, is tricky at best. At a global level (accounting standards aside [IAS 38]), the International Standards Organisation (ISO) has yet to develop an ISO global standard for brand valuation. Presently, the issue is sitting in their technical committee as 'work in progress.'

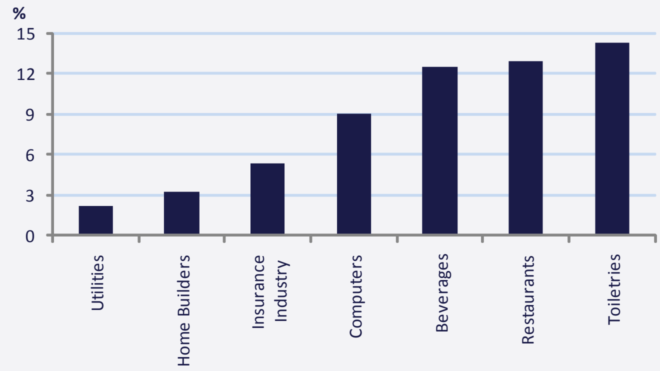
Premia Foods has not individually applied any value to the trademarks/brands it holds on its balance sheet. However, we cannot simply ignore brand value. One idea popularised by Brand Finance PLC of the UK (an independent brand valuation consultancy), is that between 60-75% of capitalisation value in the major stock indices is represented by intangible assets.

Another consultancy, CoreBrand, differentiates the meaningfulness of brands between industries. As can be seen in the chart over the page, utilities' brands have a low impact (ca. 2%), with toiletries seeing the largest impact, at 14%. Beverages, which we would argue includes ice cream (particularly as it is such a focus for consumer companies such as Nestle and Unilever), takes third place at around 12.5%.

ENR believes that the Baltics could attract players, like Nestle, looking to acquire additional consumer-oriented brands. Both companies are heavyweights in the Finnish market, while Ingman already has a Baltic presence, running a manufacturing unit in Lithuania. Unilever acquired the leading ice cream company in Russia, Inmarko, in 2008 and produces ice cream in plants in Tula, Novosibirsk and Omsk.

One can justify Premia Foods' aim of buying Khladokombinat No 1 – a leading St.Petersburg ice cream manufacturer (with the possibility to increase efficiencies and ultimately financial returns). The brands are already owned by Premia Foods, while ice cream production, logistics and fridges would be added. Done successfully, this would present Premia Foods as an international player with leading brands in St. Petersburg (Russia) and the Baltics – all with logistics and frozen food thrown in.

Depends where you come from



Source: CoreBrand

What kind of corporate activity is there in the sector? We have highlighted what we consider the relevant deals (all completed) from the US and Europe.

Deal Type	Announce Date	Target Name	Acquirer Name	Seller Name	Total Value (EURm)	Payment Type	Enterprise Value	Revenue	EBITDA	EBIT	Net Income	Cashflow
DIV	12/9/1996	Ault ice cream division	Nestle SA	Ault Foods Ltd	131	Cash						
ACQ	10/13/1997	Integrated Brands Inc	Coolbrands International Inc		29	Stock						
ACQ	4/12/2000	Ben & Jerry's Homemade Inc	Unilever NV		298	Cash	1.3	1.2	12.6	21.3	80.8	15.3
ACQ	5/4/2000	Eskimo PIE Corp	Coolbrands International Inc		40	Cash	1.2	0.6	5.8	13.8	27.2	6.4
ACQ	8/2/2000	Delta Ice Cream SA	Vivartia SA		37	Cash	0.8	3.5		26.5	39.8	
DIV	7/6/2001	Dreyer's Grand Ice Cream Holdings Inc	Nestle SA	General Electric Co	127	Cash	1.1	1.0	18.3	39.8	98.0	28.8
ACQ	6/17/2002	Dreyer's Grand Ice Cream Holdings Inc	Nestle SA		2,749	Cash						
DIV	6/17/2002	US ice cream business	Dreyer's Grand Ice Cream Holdings Inc	Nestle SA	2,552	Stock						
DIV	1/23/2003	Moevenpick ice cream business	Nestle SA	Moevenpick Holding	N/A	Undisclosed						
DIV	2/11/2003	Avidesa ice cream factory	Private Investor	Nestle SA	N/A	Undisclosed						
DIV	3/4/2003	Ice cream distribution assets	Coolbrands International Inc	Nestle SA	N/A	Undisclosed						
DIV	2/18/2004	Haagen-Dazs	Dreyer's Grand Ice Cream Holdings Inc	General Mills Inc	N/A	Cash						
DIV	5/24/2004	Valiojaatelo ice cream business	Nestle SA	Valio Finnish Co-Op Dairie	N/A	Undisclosed						
ACQ	7/26/2004	Silhouette Brands Inc	Dreyer's Grand Ice Cream Holdings Inc		46	Cash	21.3	10.2	668.2	684.5	435.1	684.5
DIV	11/1/2004	Ice cream division	Humboldt Creamery Association	WestFarm Foods	N/A	Undisclosed						
ACQ	11/1/2004	Arctic Ice Cream	Humboldt Creamery Association		N/A	Undisclosed						
DIV	11/7/2005	Ice cream business	Oaktree Capital Management LLC	Arena SpA	153	Cash						

Premia Foods AS

Deal Type	Announce Date	Target Name	Acquirer Name	Seller Name	Total Value (EURm)	Payment Type	Enter-prise Value	Revenue	EBITDA	EBIT	Net Income	Cash-flow
DIV	11/18/2005	Svenska Glasski-osken AB	Nestle SA	Ingman Glass AB	N/A	Undis-closed						
DIV	12/19/2005	Delta Ice Cream SA	Nestle SA	Vivartia SA	240	Undis-closed	0.9	2.0	13.7	39.3	117.8	9.0
DIV	1/24/2007	Eskimo Pie and Chipwich Brands and Real Fruit trad	Nestle SA	Coolbrands International Inc	15	Cash						
ACQ	2/15/2007	Marble Slab Creamery Inc	NexCen Brands Inc		16	Cash and Debt						
DIV	4/30/2008	Haagan-Dazs businesses	General Mills Inc	Multiple sellers	N/A	Cash						
ACQ	1/1/2008	Inmarko	Unilever NV		N/A	Undis-closed						
DIV	4/29/2009	Peters and Connoisseur ice cream brands	Nestle SA	Fonterra Cooperative Group Ltd	N/A	Cash						

Source: Bloomberg, ENR

Nestle and Unilever's (#1 in ice cream) M&A activity is the main message emanating from this list. Unfortunately, details on the multiples surrounding the deals are scant, as are also the total transaction values. In terms of listed ice cream companies, there are very few to choose from. If however, we extend the list to the dairy sector as a whole, the median target multiples for both Enterprise Value (EV) and Revenue equate to 1.07x and 0.96x respectively. Putting total group net debt to one side for a moment, our deal-implied EV for the ice cream business alone comes to around EUR 36m.

The heart of Premia Foods' fish-related business is very much Nordic (rather than Emerging Nordic/Baltic). As it is not a developing market story it needs to be handled differently, however it still has a role to play in ENR's view. While a generous bid from a multinational is frequently an owner's dream, reality means that everyday work has to be continued to retain and preferably expand the share-holder value of the total entity. From this angle, ENR con-curs with Premia Foods' management, which sees its fish operations as a complementary growth instrument. While the profitability is lower in this sector, two factors to con-sider are:

- The preference for some sort of operational hedging
- A way of growing the volume of the present portfo-lio's share in the market

The bulk of Premia Foods' final sales are to consumers in a retail environment (whether supermarket or smaller format store). By being able to offer a wider complement of chilled and frozen foods, the all-important visibility, or 'shelf-space factor,' helps limit the physical presence of the competition. Put another way, as every stockhand will tell you: "If it is not on the shelf, you cannot sell it".

A selection of Premia Foods' brands

Therefore, we believe that the Premia Foods trademark has been correctly chosen as the leading identifier of the group's overall product offering.

► VALUE TASTE TESTING

ENR's valuation of Premia Foods follows the same sum-of-the-parts method we have used to discuss the company to this point. In this, we aim to extract the value of each of the three core segments, as well as any other revenues and expenses. We have also compared our expectations to those for a peer group of international food companies.

Sum-of-the-Parts

As discussed throughout the report, ENR has found the ice cream segment to be the most interesting, qualitatively and financially. However, considering the benefits of diversification, and the seasonality of products like ice cream, it would not make sense for Premia Foods to only produce this one item. As such, we used the sum-of-the-parts model to illustrate the value of each of the company's component parts. This meant using the financial splits discussed previously in the report to derive an enterprise value for each segment and then adjusting the group's total value by its net debt to determine the equity value.

The DCF for each segment is based on a standard set of base assumptions, which we considered applicable to the whole of the Premia Group. These include:

- Risk-free rate: this is based on the MFI interest rate indicator of 6.1% for Estonia for February 2010. As Estonia does not have a government bond, this is used instead, as it represents the weighted average interest rate on new EEK-denominated household and non-financial corporation loans, with a mixture of fixed interest rate periods.
- Market risk premium: ENR holds the blanket assumption that the Baltic market carries a base risk premium of 6%.
- Beta: we have used the food industry average beta of 0.7x.
- Company-specific risk premium adjustment: primarily due to the current unlisted status of Premia Foods and local sector challenges, we applied a company-specific risk premium adjustment of 1.75%.
- Cost of debt: Our assumptions on the base cost of debt of 6.5%, assuming lower interest rates than the historic effective interest rate.
- Tax rate: we use the effective tax rate as the rate applied to the cost of debt.
- Weight of debt to capital: this is adjusted annually based on ENR's expectations for Premia Foods' debt and capital balances.
- Terminal value: ENR has assumed a stable growth rate of 3-4% depending on the segment over the forecast period.
- Discount period: when this report was published there were only eight months remaining of 2010.

By applying all of these assumptions, we calculated a base cost of equity and WACC for Premia Foods of 12.1% and 10.5%, respectively.

WACC components			
Risk free rate, %	6.1	Terminal growth rate, %	4.0
Baltic risk premium, %	6.0	Effective tax rate, %	15.2
Beta, x	0.7	After-tax cost of debt, %	5.5
Company-specific risk premium, %	1.8	Weight of debt in capital, %	24.3
Cost of equity, %	12.1	WACC, %	10.5
Source: ENR			

The valuation of the individual segments reinforces ENR's underlying belief that the ice cream section is the company's strongest asset. If we consider the cumulative enterprise value of the three main segments (i.e. fish, ice cream and frozen foods), we find that ice cream represents over 74% of the total value. Most of this can be attributed to expected increases in the company's ice cream sales (thanks partly to the [assumed] Russian acquisition) and the fact that this particular sector earns the highest margins. Taken together, all three segments give the company an enterprise value of EEK 765m (EUR 49m).

Premia Foods AS

EEKm	2010E	2011E	2012E	2013E	2014E	2015-17E	Terminal
Fish							
EBIT, net of tax	9	14	21	22	24	77	28
Depreciation	21	22	22	22	17	55	20
Capex	-14	-5	-7	-17	-18	-57	-21
Working capital	1	-6	-3	-3	-3	-10	-4
Free cash flows	**17**	**25**	**33**	**24**	**20**	**66**	**24**
Discounted free cash flows	16	22	25	17	13	35	190
Enterprise value	**318**						
Ice cream							
EBIT, net of tax	20	27	33	35	38	122	44
Depreciation	29	30	29	30	23	75	27
Capex	-80	-5	-6	-16	-17	-55	-20
Working capital	1	-6	-3	-3	-3	-10	-3
Free cash flows	**-30**	**46**	**53**	**46**	**41**	**133**	**48**
Discounted free cash flows	-28	40	41	32	26	71	385
Enterprise value	**567**						
Frozen foods							
EBIT, net of tax	-20	-16	-13	-14	-13	-42	-15
Depreciation	20	21	21	21	16	52	18
Capex	-2	-4	-5	-12	-12	-39	-14
Working capital	1	-4	-2	-2	-2	-7	-2
Free cash flows	**-0**	**-3**	**1**	**-7**	**-11**	**-36**	**-13**
Discounted free cash flows	-0	-2	0	-5	-7	-19	-87
Enterprise value	**-120**						
All other segments & Unallocated income and expense							
EBIT, net of tax	0	1	1	1	1	2	1
Depreciation	0	0	0	0	0	1	0
Capex	0	-0	-0	-0	-0	-2	-1
Working capital	0	-0	-0	-0	-0	-0	-0
Free cash flows	**1**	**1**	**1**	**0**	**0**	**1**	**0**
Discounted free cash flows	1	0	1	0	0	1	4
Enterprise value	**7**						

Source: ENR

However, this approach excludes other parts of the company, i.e. "all other segments" and "unallocated incomes and expenses". The addition of these two brings the base enterprise value to EEK 772m (EUR 49m). Adjusting for our estimated 2010E net debt of EEK 95m (EUR 6m), we calculated a base equity value for Premia Foods of EEK 677m (EUR 43m).

Sum-of-the-parts valuation	EEKm	EURm
Enterprise value		
Fish	318	20
Ice cream	567	36
Frozen foods	-120	-8
Sub-total	**765**	**49**
All other segments	-4	-0
Unallocated income and expense	11	1
Total Enterprise Value	**772**	**49**
Less net debt	95	6
Equity value	677	43
Source: ENR		

The fundamental valuation range was calculated by adjusting our growth expectations for each segment (fish, ice cream and frozen foods) upwards and downwards by 1.5%. The bottom end of the range assumes that our base case growth rates for all three segments dropped by 1.5%, while our top end assumes an increase of 1.5% across the board. This gives flexibility to the valuation range, providing it with the scope to adequately reflect the contribution of each segment.

The end result of this method is a valuation range of EEK 528-932m (EUR 34-60m).

Fundamental valuation range	Lower bound		Base case		Upper bound	
	EEKm	EURm	EEKm	EURm	EEKm	EURm
Enterprise value						
Fish	257	16	318	20	420	27
Ice cream	451	29	567	36	764	49
Frozen foods	-93	-6	-120	-8	-164	-10
Sub-total	**616**	**39**	**765**	**49**	**1,021**	**65**
All other segments	-4	-0	-4	-0	-4	-0
Unallocated income and expense	11	1	11	1	11	1
Total Enterprise Value	**623**	**40**	**772**	**49**	**1,027**	**66**
Less net debt	95	6	95	6	95	6
Equity value	**528**	**34**	**677**	**43**	**932**	**60**
Source: ENR						

Comparative Valuation

To implicitly derive a fair value range for Premia Foods based on our 2010-2011E financial outlook, ENR collected together a list of peers (particularly Scandinavian-listed companies) involved in similar industries. In our list, we have included a number of Norwegian companies engaged in the aquaculture industry. Although Premia Foods is not an aquaculture company in terms of core activity, these companies share a similar market and could mostly be classified as small market capitalisation companies.

ENR has identified five particular peers that it feels, geographically and operationally, bear the closest resemblance to Premia Foods:

- Aker Seafoods: a Norwegian company that produces and distributes seafood products, with operations in Norway, Denmark, Sweden, the United Kingdom, Spain and France.
- Atria Plc: a Finnish food company, with operations in the Nordic countries, Russia and the Baltic region. Its products include an array of meat products, pre-made and pre-cooked meals, baked goods and pastries, marinated products and oven-ready food.
- Lannen Tehtaat: a Finnish company involved in frozen foods, seafood, vegetable oils and grain trading, with operations primarily in the northern Baltic region.
- Leroy Seafood Group ASA: a Norwegian company involved in the production, distribution and sale of seafood

products, including whole salmon, processed salmon, whitefish, pelagic fish, shellfish and trout. Its products are internationally distributed to more than 65 countries.

- Marine Harvest: a Norwegian aquaculture company, which is engaged all the way along the value chain, i.e. farming, processing and selling of salmon and related processed products. The company offers a range of fish and seafood products. It mainly operates in Norway, Scotland, Ireland, Chile, Canada, the United States, France, Belgium, Poland and the Netherlands.

These five peers typically offer 2010E and 2011E multiples that, with the exception of P/E, are below or at least competitive relative to the averages of the whole peer group. However, based on the fundamental valuation range we derived, the equity value of Premia Foods would be smaller than that of these peers, perhaps justifying the differences in possible valuations – though they are all small cap companies.

Unfortunately there are few ice cream companies listed that have not already been absorbed into larger holding companies, particularly Nestle and Unilever. We have included Nestle in our peer group for illustrative purposes, though, in terms of size, geographic presence and product range, it is not a true comparison. Much of the local market for ice cream is controlled by regional players, including the Finnish-owned Ingman Ice Cream.

One comparable listed ice cream company, though, is Croatia's Ledo dd (under 79% ownership of Agrokor dd). The company has a market capitalisation of EUR 197m and offers a similar product range of ice cream and frozen food products. It has operations in Croatia and other central and southern European countries. In 2008, the company managed to generate an operating margin of nearly 8.7%, which is relatively comparable to Premia Foods' ice cream and frozen foods 2008 and 2009 EBITDA margins of 8.7% and 10.7%, respectively.

One local player, Pieno Zvaigzdes (PZV1L LH), a Lithuanian listed dairy company with a share of 11% of the Lithuanian ice cream market, has what would be a similar market capitalisation of EUR 62m. However, ice cream is not one of its core products – in 2003-05 revenues from this segment contributed no more than 2% of total sales.

Share prices as at 21 April 2010	**Market Cap (EURm)**	**P/E (x)**			**EV/Sales (x)**			**P/Book (x)**			**EV/EBITDA (x)**		
		2009	**2010E**	**2011E**	**2009**	**2010E**	**2011E**	**2009**	**2010E**	**2011E**	**2009**	**2010E**	**2011E**
Premia Foods*	**43**	**67.7**	**n.m.**	**46.2**	**0.9**	**0.6**	**0.5**	**1.6**	**1.0**	**1.0**	**10.0**	**9.5**	**6.8**
Harmonic mean		**13.4**	**9.2**	**8.3**	**0.8**	**0.7**	**0.6**	**0.9**	**1.0**	**0.9**	**9.4**	**7.1**	**7.0**
Median		**13.1**	**9.9**	**9.0**	**1.3**	**1.2**	**1.1**	**1.3**	**1.1**	**1.0**	**9.4**	**7.1**	**6.7**
Aker Seafoods	80	7.3	14.6	10.9	0.6	0.6	0.5	0.6	0.6	0.5	9.5	7.6	7.1
Atria	371	23.4	17.2	11.4	0.6	0.6	0.5	0.8	0.8	0.8	8.7	7.8	6.7
Austevoll Seafood	1,177	13.1	8.6	9.1	1.3	1.1	1.0	1.5	1.3	1.2	8.1	6.0	6.2
Cermaq	775	18.7	9.7	8.8	0.9	0.8	0.8	1.4	1.3	1.2	9.3	6.4	5.9
Clean Seas Tuna	41	n.a.	n.a.	n.a.	2.2	2.6	2.5	0.3	0.5	0.5	n.a.	n.a.	42.0
Codfarmers	5	n.a.	n.a.	n.a.	1.3	1.2	3.3	0.2	0.4	0.7	n.a.	n.a.	0.0
Copeinca	357	40.8	10.5	9.6	2.9	2.2	2.1	1.4	1.2	1.2	11.0	6.0	5.5
Domstein	20	12.1	4.6	3.4	0.2	0.2	0.1	0.7	0.6	0.5	48.8	28.7	20.4
Grieg Seafood	226	21.6	6.8	6.5	1.9	1.3	1.2	1.4	1.1	1.0	11.8	5.7	5.7
HKScan	477	12.8	12.0	9.7	0.4	0.4	0.4	1.1	1.2	1.1	7.7	7.5	6.8
Lannen Tehtaat	112	21.1	17.5	16.2	0.4	0.3	0.3	0.8	0.8	0.8	8.8	8.0	7.7
Leroy Seafood Group	982	12.4	8.5	8.9	1.3	1.1	1.0	1.8	1.6	1.5	7.1	5.2	5.5
Lighthouse Caledonia	98	12.1	4.8	5.4	1.7	1.2	1.2	1.4	1.0	0.7	7.6	4.5	4.7

Continued overleaf

Share prices as at 21 April 2010	Market Cap (EURm)	P/E (x)			EV/Sales (x)			P/Book (x)			EV/EBITDA (x)		
		2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E	2009	2010E	2011E
Marine Farms	67	n.a.	11.4	6.6	1.3	1.2	1.1	1.2	1.1	0.9	12.6	7.8	5.8
Marine Harvest	2,414	18.4	10.0	10.6	1.7	1.7	1.6	1.8	1.6	1.6	11.8	7.3	7.5
Nestle SA	132,394	17.9	16.2	14.8	2.0	1.8	1.8	3.7	3.0	2.9	11.5	12.0	11.3
Norway Pelagic	96	6.0	6.6	6.5	0.4	0.3	0.4	0.8	0.8	0.8	5.7	5.8	5.8
Salmar	694	11.6	8.7	8.9	2.7	2.2	2.1	3.3	2.6	2.3	9.5	6.9	7.0
Tassal Group	166	8.3	9.1	8.3	1.4	1.5	1.3	1.1	1.0	0.9	6.6	6.6	5.8
Wimm-Bill-Dann Foods	3,138	29.6	19.6	19.5	2.1	1.7	1.4	3.3	4.7	3.8	14.7	12.0	10.3

*Source: Bloomberg, ENR *Premia Foods estimates (including 2009) are based on the base case value of the sum-of-the-parts valuation.*

Using our base case sum-of-the-parts valuation for Premia Foods (EEK 677m / EUR 43m), we can see that the company would be competitively priced in terms of EV/Sales, P/Book and EV/EBITDA, particularly from 2011. The main problem is the low EPS, which prices the company significantly above the peer group averages. However, when comparing to the 48.8x 2008 P/E of Ledo, Premia Foods' 2011E P/E would not necessarily be too extreme.

Considering that more than a quarter of the year has already passed, we have noted both the 2010E and 2011E values equally when establishing a possible peer-implied valuation range.

Peer implied valuation range	Net profit		Sales		Book value		EBITDA		Net debt	
	2010E	2011E	2010E	2011E	2010E	2011E	2010E	2011E	2010E	2011E
ENR expectations, EEKm	-5	15	1,278	1,392	656	671	81	104	95	34

	P/E (x)		EV/Sales (x)		P/Book (x)		EV/EBITDA (x)	
	2010E	2011E	2010E	2011E	2010E	2011E	2010E	2011E
Peer minimum multiple, x	4.6	3.4	0.2	0.1	0.4	0.5	4.5	4.7
Peer maximum multiple, x	17.5	14.8	2.6	2.5	1.6	1.6	8.0	7.7
Implied minimum equity value, EEKm	n.m.	49	149	103	278	330	267	453
Implied minimum equity value, EURm	n.m.	3	9	7	18	21	17	29
Implied maximum equity value, EEKm	n.m.	217	3,272	3,390	1,083	1,060	556	764
Implied maximum equity value, EURm	n.m.	14	209	217	69	68	36	49

*Source: Bloomberg, ENR *Peer multiples exclude outliers where applicable*

The peer multiples implied a valuation range that stretched all the way from EEK 49m (EUR 3m), founded on the 2011E P/E, to EEK 3,390m (EUR 217m), based on 2011E EV/Sales (we excluded 2010E P/E due to the expected loss for the year). However, we felt this method reflected too many extremes and have instead used a combination of the 2010-11E EV/EBITDA and P/Book ranges, which gave us a more feasible range of EEK 267m (EUR 17m) to EEK 1,083m (EUR 69m).

However, when carrying these ranges into the final valuation, we made a slight adjustment. As we allowed for both the 2010E and 2011E peer-implied ranges, we decided to set the ranges using the average of the 2010E and 2011E minimum and maximum values (with the exception of P/E, where only the 2011E range was included, due to the expected loss in 2010).

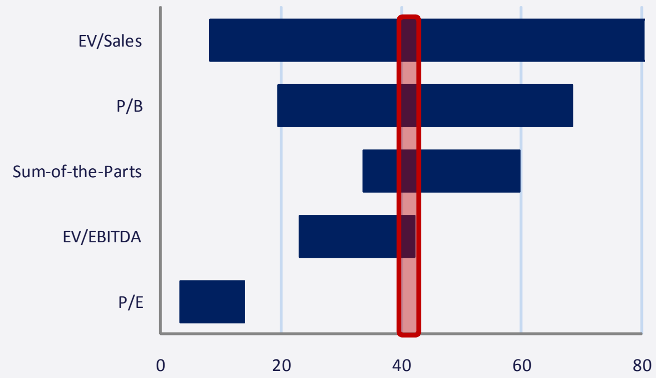
Final Valuation

In drawing up its final valuation, ENR has accounted for all of the considerations discussed throughout the report, in addition to the fundamental and comparative valuation ranges. Our final range of EEK 610-673m (EUR 39-43m) places the company towards the mid-point of the sum-of-the-parts and the P/B range, the bottom end of EV/Sales range, and the top end of the EV/EBITDA range.

At the same time, the top end of the fair equity value range coincides with the average of the sum-of-the-parts, P/B, EV/Sales and EV/EBITDA values – i.e. EEK 697m (EUR 45m). The bottom end of the range is slightly above the average fair value calculated, relative to the mean sum-of-the-parts, P/B, EV/Sales, EV/EBITDA and P/E values of EEK 582m (EUR 37m).

It should also be remembered that this range ignores the values of the company's brand and the consolidation of the global ice-cream sector discussed earlier in this report. Both of these factors are sufficient to merit an implied premium over and above the ranges implied by the EV/EBITDA and P/E ratios.

Fair equity value range, EUR 39-43m



Source: ENR

With spare cash on its balance sheet, we have assumed that the company will continue looking for suitable acquisitions, assuming they follow through on their purchase of Khladokombinat No 1. As our evaluation does not account for further purchases, it has the appearance of weakening the company's profitability.

For comparative terms, if Premia Foods were to pursue a successful equity raising and market listing, a value of EUR 39-43m would make it Estonia's tenth largest company in terms of market capitalisation (ahead of Arco Vara and Baltika) and the 30-35th largest company in the Baltics.

► **FINANCIAL SUMMARY** (sums may not add up exactly due to rounding. All tables sourced from Emerging Nordic Research and Premia Foods).

Annual income statement, EEKm	**2007**	**2008**	**2009**	**2010E**	**2011E**	**2012E**
Sales	995	1,210	1,075	1,278	1,392	1,454
Cost of goods sold	-739	-916	-797	-941	-1,010	-1,041
Gross profit	**256**	**294**	**278**	**337**	**382**	**413**
Selling and distribution expenses	-173	-251	-213	-258	-277	-285
Administrative expenses	-59	-78	-62	-70	-76	-79
Other incomes	33	44	40	7	7	7
Other expenses	0	0	-9	-11	-12	-13
Fair value adjustment on biological assets	16	1	5	6	6	7
Operating profit	**73**	**10**	**39**	**11**	**31**	**49**
Depreciation	-45	-65	-58	-70	-73	-72
EBITDA	**118**	**75**	**97**	**81**	**104**	**121**
Net financial items	-23	-41	-29	-16	-13	-11
Profit before income tax	**50**	**-31**	**10**	**-6**	**17**	**39**
Income tax	-6	7	1	1	-3	-6
Profit for the period	**44**	**-24**	**11**	**-5**	**15**	**33**
- Minority interest	1	1	1	0	0	0
- Attributable to shareholders	43	-25	10	-5	15	33

Financial Summary

Balance Sheet, EEKm	2007	2008	2009	2010E	2011E	2012E
Current assets						
Cash and cash equivalents	22	20	20	122	294	367
Receivables and prepayments	144	160	134	167	182	190
Inventories	219	208	205	231	248	256
Fixed assets held for sale	0	26	27	0	0	0
Total current assets	**385**	**413**	**386**	**520**	**724**	**812**
Non-current assets						
Deferred income tax assets	1	6	6	6	6	6
Long-term financial investments	8	1	2	1	9	21
Investment property	3	3	33	33	33	33
Tangible fixed assets	379	283	242	213	161	111
Intangible assets	171	322	316	351	344	341
Total non-current assets	**562**	**615**	**597**	**604**	**552**	**510**
Total assets	**946**	**1,028**	**983**	**1,124**	**1,276**	**1,323**
Current liabilities						
Loans and borrowings	113	184	160	117	177	181
Factoring payable	28	31	43	43	47	49
Payables	163	176	132	167	179	185
Total current liabilities	**304**	**391**	**334**	**327**	**403**	**414**
Non-current liabilities						
Loans and borrowings	312	144	150	100	151	155
Long-term payables to shareholders	0	16	17	0	0	0
Deferred tax liabilities	22	22	22	22	22	22
Target financing	30	30	26	19	29	29
Total non-current liabilities	**364**	**211**	**215**	**141**	**202**	**206**
Total liabilities	**669**	**602**	**549**	**468**	**605**	**620**
Equity						
Share capital	152	0	24	242	242	242
Unregistered share capital	0	24	0	0	0	0
Share premium	248	399	399	181	181	181
Proceeds from equity raising	0	0	0	227	227	227
Treasury shares	0	0	-4	0	0	0
Reserves	3	0	0	0	0	0
Currency translation reserve	0	0	1	1	1	1
Retained earnings	-136	0	10	5	20	51
Total equity attributable to shareholders	**268**	**423**	**430**	**656**	**671**	**702**
Minority interest	10	3	4	0	0	0
Total equity	**278**	**426**	**434**	**656**	**671**	**702**
Total equity and liabilities	**946**	**1,028**	**983**	**1,124**	**1,276**	**1,323**

Financial Summary

Cash flow statement, EEKm	2008	2009	2010E	2011E	2012E
Cash flow from operations					
Operating profit	10	39	11	31	49
Adjustments:					
- depreciation on fixed assets	65	58	70	73	72
- loss from sale of fixed assets	0	1	0	0	0
- revaluation of investment properties	0	-30	0	0	0
- net change in deferred tax	0	0	0	0	0
- net change in one-off and non-cash items	-37	0	0	0	0
- change in receivables related to operating activities	-15	14	-33	-15	-8
- change in inventories and fixed assets held for sale	-15	2	1	-17	-8
- change in liabilities and prepayments relating to operating activities	12	-47	36	12	6
- target financing	0	-5	0	0	0
- prepaid income	0	1	0	0	0
- exchange losses	0	3	0	0	0
- corporate taxation paid	2	0	1	-3	-6
Total cash flow from operations	**22**	**37**	**85**	**82**	**105**
Cash flow from investments					
Sale of tangible and intangible fixed assets	103	1	0	0	0
Purchase of tangible and intangible fixed assets	-35	-11	-77	-14	-18
Net change in investment property	0	0	0	0	0
Net change long-term financial investments	7	0	0	-7	-12
Net cash flow from acquisition of subsidiaries	0	-0	0	0	0
Loans granted	0	-4	0	0	0
Repayment of loans granted	0	7	0	0	0
Interest received	10	2	1	4	11
Other financial income	0	0	0	0	0
Total cash flow from investments	**84**	**-5**	**-76**	**-17**	**-20**
Cash flow from financing					
Change in overdraft	0	0	0	0	0
Repayment of loans	-128	-109	-109	0	0
Loans raised	0	104	0	111	7
Change in factored receivables	3	12	0	4	2
Target financing received	6	1	-7	10	1
Change in related party financing	31	0	0	0	0
Capital lease repayments	0	-14	0	0	0
Interest paid	-31	-21	-17	-18	-22
Other financial expenses	0	-2	0	0	0
Equity financing / currency fluctuations	11	0	0	0	0
Increase in share capital	0	0	227	0	0
Dividends paid	0	0	0	0	-1
Change in treasury shares	0	0	4	0	0
Change in minority interest	0	0	-4	0	0
Total cash flow from financing	**-108**	**-29**	**93**	**107**	**-13**

Continued overleaf

Cash flow statement, EEKm	2008	2009	2010E	2011E	2012E
Total cash flow	**-2**	**3**	**103**	**172**	**72**
Change in cash and cash equivalents					
- cash and cash equivalents at beginning of year	22	20	20	122	294
- change in cash and cash equivalents	-2	3	103	172	72
- gains/losses on conversion of foreign currencies	0	-3	0	0	0
- cash and cash equivalents at end of year	20	20	122	294	367

Financial Summary

Valuation multiples	2007	2008	2009	2010E	2011E	2012E
Financials, EEKm						
Sales	995	1,210	1,075	1,278	1,392	1,454
Gross profit	256	294	278	337	382	413
EBITDA	118	75	97	81	104	121
EBIT	73	10	39	11	31	49
Net profit	44	-24	11	-5	15	33
Capex (incl. Russian acquisition)	n.a.	69	11	95	14	18
Dividends	0	0	0	0	1	3
Growth rates, %						
Sales	n.a.	21.6	-11.2	18.9	8.9	4.4
EBITDA	n.a.	-36.0	29.0	-16.3	28.1	16.5
Operating EBITDA	n.a.	-35.1	18.9	24.6	27.0	15.9
EBIT	n.a.	-86.0	286.9	-72.7	183.8	61.7
Margins and profitability, %						
Gross margin	25.7	24.3	25.9	26.4	27.5	28.4
EBITDA margin	11.8	6.2	9.0	6.4	7.5	8.3
Operating EBITDA margin	4.8	4.8	6.4	6.7	7.8	8.7
EBIT margin	7.3	0.8	3.7	0.8	2.2	3.4
Net margin	4.4	-2.0	1.0	-0.4	1.1	2.2
Return on investments, %						
ROE	16.1	-7.3	2.3	-0.9	2.2	4.8
ROA	7.1	1.7	4.0	1.1	2.3	3.4
Liquidity, x						
Current ratio	1.3	1.1	1.2	1.6	1.8	2.0
Quick ratio	0.5	0.5	0.5	0.9	1.2	1.3
Leverage						
Net debt, EEKm	403	308	290	95	34	-31
Net gearing, %	59	42	40	13	5	-5
Financial debt, EEKm	425	328	309	217	328	336
Debt/Equity ratio, %	153	77	71	33	49	48
Valuation multiples*						
Market capitalisation, EEKm	642	642	642	642	642	642
Enterprise value, EEKm	1,045	950	931	736	676	610
P/E, x	14.9	n.m.	64.1	n.m.	43.8	19.6
P/B, x	2.4	1.5	1.5	1.0	1.0	0.9
EV/Sales, x	1.0	0.8	0.9	0.6	0.5	0.4
EV/EBITDA, x	8.9	12.6	9.6	9.1	6.5	5.0
EV/EBIT, x	14.4	93.3	23.7	68.4	22.1	12.4

**The valuation multiples are based on a market capitalisation equalling the mid-point equity value of ENR's derived fair value range of EEK 610-673m and that the company raises new equity of EUR 15m by issuing 14.5m new shares (EUR 1.03 per share). There are currently 24.2m issued shares. ** ENR assumes operating EBITDA excludes other incomes and other expenses.*

► CORPORATE GOVERNANCE

Supervisory Board

Premia Foods has three to six Supervisory Board members who are elected by the General Meeting for five-year tenures. The board meets at least once a quarter and was remunerated a total of EUR 5,000 in 2009, in addition to receiving compensation for costs incurred in performing their duties. Currently the board has six members:

- Lauri Kustaa Äimä – has been a member since the foundation of the company (term of office expires on 8 December 2013);
- Indrek Kasela – has been a member since the foundation of the company (term of office expires on 8 December 2013);
- Mr. Erik Haavamäe – has been a member since the foundation of the company (term of office expires on 8 December 2013);
- Aavo Kokk – has been a member since 5 May 2009 (term of office expires on 5 May 2014);
- Harvey Sawikin – has been a member since 5 May 2009 (term of office expires on 5 May 2014); and
- Jaakko Karo – has been a member since 17 August 2009 (term of office expires on 17 August 2014).

There are no known conflicts of interest between members of the Supervisory Board and Premia Foods.

Management Board

Premia Foods has a Management Board that can consist of one to four members, each of whom is elected for a term of three years. The company does not disclose board members' remuneration. Currently the board has four members:

- Kuldar Leis – a member since the foundation of the company and was appointed the Chairman of the Board on 9 June 2009. He has also been the Chairman of the Management Board of Premia TKH since 2006 and serves as a member of the Management Board of Premia Premia KPC, FFLS and TCS Invest;
- Katre Kõvask – a member since 9 June 2009. She has been the marketing director and a member of the Management Board of Premia TKH since 2006 and serves as a member of the Supervisory Board of Premia FFL and Saaremere Kala. In addition, she is a member of the Management Board of OÜ Footsteps Management;
- Silver Kaur – a member since 9 June 2009. He has been the sales director and Management Board member of Premia TKH since 2006 and serves as a member of the Supervisory Board of Premia FFL and Saaremere Kala. In addition, he is a member of the Management Board of RüsiGrupp OÜ and OÜ Freespirit; and
- Andri Avila – a member since 5 March 2010 and appointed the company's CFO. Prior to accepting this position, he was the CEO of Olympic Entertainment Group. He currently serves on the Management Board of AS RVC Investeeringud.

None of the members of the Management Board compete with the company or have any conflicts of interest.

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