



Kalev Ltd

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ANNUAL REPORT

Beginning 01.01.2001

End 31.12.2001

Main field of activity: all kind of confectionery,
incl. half-finished products, production,
wholesale and retail trade, export and import

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1. ACTIVITY REPORT

1.1. Top Activities

Review of the company's strategic plan and setting objectives up to 2011

In the second half of 2001 the Board of Directors of Kalev Ltd. has reviewed the company's strategic plan and set up objectives for one, three and ten year period. In drawing up the strategy the stockholders of the company were considered – customers, consumers, suppliers, competitors, financiers, employees and society.

For 2002 measurable objectives for each target group have been set up, which enable to observe the success and general development of the company.

Implementation of the team-based structure of the organisation and principles of result-oriented management elaborated in 2000

The main focus in 2001 was set on implementation of earlier elaborated management principles. In result-oriented management planning was implemented throughout the whole organisation, also management measures for daily work arrangements and supervision. Involvement of employees into company's management has risen – every employee has a chance to make proposals for improving the work of the company and participate in implementing those proposals.

Changes in managerial posts

With reference to the restructuring of the company in 2001 new managers have been appointed: head of the sales and logistics department, head of the marketing department, head of the export department and logistics' manager.

Restructuring of the sales and logistics department

During the reported year the company's sales and logistics department has undergone the restructuring process, which was caused above all by transition to direct distribution. Previously Kalev used the services of large wholesale networks, currently most of the goods are delivered directly to stores.

Transition of sales department to Mobile Salesman Positions

From August the sales department of Kalev Ltd has started to use the positions of Mobile Salesman and IT-solution, which enables the salesmen to insert orders and forward them by pocket PC or mobile phone directly from the client, saving time and minimising mistakes in orders. Furthermore, the ordering is more convenient for customers than before.

Establishing IT-council

In the end of 2001 Kalev Ltd has established an IT-council, comprising of different specialists in order to develop the company's IT strategy and supervise IT process. The council is also responsible for setting up objectives related to IT of Kalev for one and three year periods, based on the company's strategy. Expected result of the IT council activities is also creating a support system, which makes possible to offer high quality IT service to the employees and most of all to the customers. Involvement of IT know-how from outside allows Kalev Ltd to focus on its' primary business, i.e. production of confectioneries.

Celebration of the company's 195th anniversary

In August Kalev Ltd. Celebrated the 195th anniversary of the company's foundation, in connection with that great events took place in Tallinn and Tartu Town Hall square. Through traditions and valuing of centuries old know-how the company has ensured itself a stable growth.

1.2. Market and Sales

According to the study company ACNielsen in 2001 the market share of Kalev Ltd composed 45 per cent of confectioneries' market in Estonia. Local market was in the reported year the principal market, where company continued to preserve its strong leading position.

The total sales in 2001 amounted to 7319.4 tons, thus constituting 13 per cent less than in the previous year. Decrease of total sales was connected with the decrease of export to the eastern markets.

60 per cent of total sales in 2001 were chocolate confectioneries: candy, bars and boxes. In respect of sales of sugar confectioneries Draakon chewing candy, toffee and caramel candy progressed well. Unexpectedly good market success showed a nostalgic product Kamatahvel, which was introduced in August.

75.7 per cent of the total sales in 2001 were sold in the local market and 24.3 per cent elsewhere. The biggest export market in the reported year was Latvia, which share was 37.1 per cent of the export sales. Second important export market for Kalev Ltd. was the Ukraine, where the sales in 2001 increased almost by a half in comparison with the previous year. In addition to the above mentioned countries Kalev Ltd exported its' goods into Lithuania, Russia and to the Scandinavian countries. Since summer the company started to market its marzipan to the United States of America.

According to the export development strategy of Kalev Ltd the company began in 2001 searching for new potential co-operation partners and target markets. Thereby, co-operation with Sweden, Czechoslovakia and Benelux countries was initiated.

The main export articles of Kalev Ltd in 2001 were chewing candy, toffee and chewing gum.

1.3 Economic Activities and Results

Net turnover of Kalev Ltd in 2001 was 317.5 million EEK (20.3 million EUR), which is decreased by 22.1 million EEK (1.4 million EUR), i.e. by 6.5 per cent, in comparison with 2000. The decrease of the enterprise turnover is mostly caused by the decrease of export turnover on eastern markets. Turnover of confectioneries of Kalev Ltd on the local market was 249.3 million EEK (15.9 million EUR), increasing by four per cent in comparison with the previous year.

The net profit of Kalev Ltd in 2001 was 29.9 million EEK (1.9 million EUR), increasing by 9.6 million EEK (613 600 EUR), i.e. 47.3 per cent, in comparison with the previous year.

In comparison with the previous year other operating and financial costs of the company were reduced in 2001. Relatively big reduction of other operating costs was due to reduction of obligations' reserve. Also, differently from the previous year, other operating costs of the inspected year do not include the costs related to subsidiaries.

At the same time, the marketing costs of the company have increased to some extent due to restructuring of the sales and logistics department and transition to the Mobile Salesman Positions. Some increase in general administrative costs was caused by adjustment to the European requirements.

Gross profitability increased in 2001 by almost 5 per cent in comparison with 2000. The increase of gross profitability has been caused by the transition to contemporary management measures. This has established a sound base for more efficient management of resources than previously and guaranteed stable profit for Kalev.

According to the data from the end of year 2001, in AS Kalev there were employees in a principal job 533, the average number of employees was 542. The average monthly salary of the employees in the year 2001 was 6 273 kroons (401 euros). The chairman of the management board and members of the supervisory board were paid annual remuneration in total 497 714 kroons (31 810 euros) in 2001.

1.4. Investments

The most important investment of Kalev Ltd in 2001 was related to establishing the second and third link of the shop-café network of the company Põlva Kalevite Kodu and Valga Kalevite Kodu. The company invested 2.9 million EEK (185 300 EUR) into the above mentioned project. The investment into Valga Kalevite Kodu will continue in 2002. Kalev Ltd has planned in the future to establish similar shop-cafés in all bigger centres of Estonia.

Investments into production were targeted on improving of the quality and increasing of the efficiency. The amount of investments into production was 0.7 million EEK (44 700 EUR).

1.6 million EEK (102 300 EUR) investment was caused by the renovation of a former mechanical premises in the second half of 2001. In December the company turned the premises for marketing purposes into the Kalevi Jõulumaailm (Kalev Christmas World), which was visited by more than 23 000 people.

In 2001 Kalev Ltd procured real estate on the address Pärnu Road 139E (2.2 million EEK – 140 600 EUR) and Kohila 6/8 (6.6 million EEK – 421 800 EUR) in order to set up a new factory building.

According to the decision of the Council in the year 2002 it is planned to establish in co-operation with financial partners a subsidiary, dealing with real estate administration and development, in order to build a new factory building and manage the free rental premises.

1.5. Main Directions for 2002

In 2002 Kalev Ltd continues its' operations according to the established strategic development plans and set objectives. The main objective of the company is to ensure sustainability and elaborated long-term development, not rapid rise in profits.

For Kalev Ltd. the priority in the year under discussion is export, first of all re-orientation to the new target markets and strengthening its position on current markets.

In marketing the company has taken a direction towards improvement existing and elaboration of new products. Thereby it is planned to increase substantially the share of so-called anniversary products in company's portfolio.

Regarding sales the transition to direct distribution and expansion of Kalevite Kodu network of shop-cafes to other county centres will continue. It is planned to implement new contemporary IT-solutions, related to sales management.

In production the company hopes to increase the efficiency and optimise the use of existing resources. One of the priorities for the company is to get crediting and recognition, proceeding from the Food Act, the precondition of which is in compliance with the European requirements to the production premises.

2. FINANCIAL STATEMENTS (audited)

Endorsement by the Chairman

The chairman of Kalev Ltd. declares his responsibility for the correctness of the annual accounts of Kalev Ltd. given on pages 6 to 29 and certifies in his best knowledge that:

- the annual accounts have been compiled in accordance with the generally accepted accounting principles and International Accounting Standard;
- the annual accounts reflect correctly and fairly the financial position and economic results of Kalev Ltd;
- Kalev Ltd. is a company which carries on its activities.

In Tallinn,
March 6th, 2002

Oliver Kruuda
The Chairman

BALANCE SHEET (in kroons)**ASSETS**

	Note No.	31 December 2001 EEK	31 December 2000 EEK, pro forma
CURRENT ASSETS			
CASH AND BANK	1	14 026 165	7 033 972
CUSTOMER RECEIVABLES	2	29 638 468	23 873 825
OTHER RECEIVABLES	3	1 062 142	3 416 755
PREPAID EXPENSES	4	3 030 730	2 131 821
INVENTORIES	5	27 571 871	28 755 601
TOTAL CURRENT ASSETS		75 329 376	65 211 974

NON-CURRENT ASSETS

MISCELLANEOUS LONG-TERM RECEIVABLES	6	887 180	371 156
PROPERTY, PLANT AND EQUIPMENT	7,15	93 220 174	127 103 755
INVESTMENT PROPERTY	8	37 337 778	0
INTANGIBLE ASSETS		275 000	0
TOTAL NON-CURRENT ASSETS		131 720 132	127 474 911

TOTAL ASSETS		207 049 508	192 686 885
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LIABILITIES AND OWNERS' EQUITY**LIABILITIES**

DEBT LIABILITIES	9	12 104 886	12 786 851
CUSTOMER PREPAYMENTS		207 977	484 853
TRADE PAYABLES		28 228 155	35 599 883
TAX LIABILITIES	10	8 531 521	4 899 389
OTHER LIABILITIES	11	4 850 260	3 800 423
TOTAL CURRENT LIABILITIES		53 922 799	57 571 399

LONG-TERM DEBT LIABILITIES	9	27 000 000	39 000 000
OTHER LONG-TERM PAYABLES	9	58 076	0
TOTAL NON-CURRENT LIABILITIES		27 058 076	39 000 000

OWNERS' EQUITY

SHARE CAPITAL		78 775 000	78 775 000
REVALUATION RESERVE		42 776 334	46 930 612
RETAINED LOSS		-25 435 847	-49 878 891
PROFIT FOR THE FINANCIAL YEAR		29 953 146	20 288 765
TOTAL OWNERS' EQUITY	8,12	126 068 633	96 115 486

TOTAL LIABILITIES AND OWNERS' EQUITY		207 049 508	192 686 885
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BALANCE SHEET (in euros)**ASSETS**

	Note No.	31 December 2001 EUR	31 December 2000 EUR, pro forma
CURRENT ASSETS			
CASH AND BANK	1	896 433	449 552
CUSTOMER RECEIVABLES	2	1 894 239	1 525 812
OTHER RECEIVABLES	3	67 883	218 370
PREPAID EXPENSES	4	193 698	136 248
INVENTORIES	5	1 762 159	1 837 813
TOTAL CURRENT ASSETS		4 814 412	4 167 794

NON-CURRENT ASSETS

MISCELLANEOUS LONG-TERM RECEIVABLES	6	56 701	23 721
PROPERTY, PLANT AND EQUIPMENT	7,15	5 957 840	8 123 390
INVESTMENT PROPERTY	8	2 386 313	0
INTANGIBLE ASSETS		17 576	0
TOTAL NON-CURRENT ASSETS		8 418 429	8 147 111

TOTAL ASSETS		13 232 842	12 314 905
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LIABILITIES AND OWNERS' EQUITY**LIABILITIES**

DEBT LIABILITIES	9	773 641	817 227
CUSTOMER PREPAYMENTS		13 292	30 988
TRADE PAYABLES		1 804 103	2 275 241
TAX LIABILITIES	10	545 262	313 127
OTHER LIABILITIES	11	309 987	242 891
TOTAL CURRENT LIABILITIES		3 446 286	3 679 474

LONG-TERM DEBT LIABILITIES	9	1 725 610	2 492 548
OTHER LONG-TERM PAYABLES	9	3 712	0
TOTAL NON-CURRENT LIABILITIES		1 729 322	2 492 548

OWNERS' EQUITY

SHARE CAPITAL		5 034 627	5 034 627
REVALUATION RESERVE		2 733 899	2 999 405
RETAINED LOSS		-1 625 643	-3 187 834
PROFIT FOR THE FINANCIAL YEAR		1 914 350	1 296 685
TOTAL OWNERS' EQUITY	8,12	8 057 234	6 142 883

TOTAL LIABILITIES AND OWNERS' EQUITY		13 232 842	12 314 905
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INCOME STATEMENT
(in kroons)

	Note No.	2001 EEK	2000 EEK
NET SALES	13	317 529 516	339 629 609
COST OF GOODS SOLD		199 251 141	230 049 544
GROSS PROFIT		118 278 375	109 580 065
MARKETING EXPENSES		35 724 592	26 126 986
ADMINISTRATION AND GENERAL EXPENSES		33 489 718	38 908 561
OTHER INCOME	16	3 787 592	3 906 454
OTHER EXPENSES	16	17 343 102	24 772 637
OPERATING PROFIT		35 508 555	23 678 335
FINANCIAL INCOME	17	303 775	6 606 089
FINANCIAL EXPENSES	18	5 859 184	9 995 659
NET PROFIT		29 953 146	20 288 765
EARNINGS PER SHARE	20	3,80	2,58

INCOME STATEMENT
(in euros)

	Note No.	2001 EUR	2000 EUR
NET SALES	13	20 293 783	21 706 233
COST OF GOODS SOLD		12 734 436	14 702 808
GROSS PROFIT		7 559 347	7 003 425
MARKETING EXPENSES		2 283 212	1 669 814
ADMINISTRATION AND GENERAL EXPENSES		2 140 378	2 486 704
OTHER INCOME	16	242 071	249 667
OTHER EXPENSES	16	1 108 423	1 583 256
OPERATING PROFIT		2 269 404	1 513 318
FINANCIAL INCOME	17	19 415	422 205
FINANCIAL EXPENSES	18	374 469	638 837
NET PROFIT		1 914 350	1 296 685
EARNINGS PER SHARE	20	0,24	0,16

CASH FLOW STATEMENT (in kroons)

	Note No.	2001 EEK	2000 EEK
CASH FLOW FROM OPERATING ACTIVITIES			
OPERATING PROFIT		35 508 554	23 678 335
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	7,15	9 921 676	10 975 898
DEPRECIATION OF INTANGIBLE ASSETS		25 000	0
PROFIT/LOSS FROM SALES OF NON-CURRENT ASSETS	16	-3 064 784	585 248
CHANGE IN RECEIVABLES		-4 824 963	23 132 540
CHANGE IN INVENTORIES		1 183 730	6 583 810
CHANGE IN LIABILITIES		-2 728 565	-9 559 425
INTERESTS PAID		-5 231 521	-7 876 565
TOTAL CASH FLOW FROM OPERATING ACTIVITIES		30 789 127	47 519 841

CASH FLOW FROM INVESTING ACTIVITIES

PROCEEDS FROM SALES OF SHARES		0	5 693 241
PROCEEDS FROM SALES OF PROPERTY, PLANT AND EQUIPMENT		6 786 720	1 609 704
PROPERTY, PLANT AND EQUIPMENT ACQUIRED	7	-17 097 808	-21 361 841
INTANGIBLE ASSETS ACQUIRED		-300 000	0
FIXED ASSETS ACQUIRED WITH LEASE		0	946 756
CASH FLOW FROM SUBSIDIARIES		0	7 245 354
CHANGE IN LOANS GIVEN		0	374 800
INTEREST RECEIVED	17	156 754	246 947
TOTAL CASH FLOW FROM INVESTING ACTIVITIES		-10 454 334	-5 245 039

CASH FLOW FROM FINANCING ACTIVITIES

LOAN REPAYMENTS		-12 000 000	-96 200 000
LONG-TERM LOANS RECEIVED		0	60 000 000
LEASE PAYMENTS		-681 964	-2 754 529
OTHER FINANCING INCOME/EXPENSES	17,18	-670 713	215 658
TOTAL CASH FLOW FROM FINANCING ACTIVITIES		-13 352 677	-38 738 871

CHANGE IN CASH AND CASH EQUIVALENTS		6 982 116	3 535 931
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CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1	7 033 972	2 695 734
CHANGE		6 982 116	3 535 931
CHANGE IN FOREIGN CURRENCY EXCHANGE RATE	17	10 077	802 307
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1	14 026 165	7 033 972

CASH FLOW STATEMENT (in euros)

	Note No.	2001 EUR	2000 EUR
CASH FLOW FROM OPERATING ACTIVITIES			
OPERATING PROFIT		2 269 404	1 513 318
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	7,15	634 109	701 486
DEPRECIATION OF INTANGIBLE ASSETS		1 598	0
PROFIT/LOSS FROM SALES OF NON-CURRENT ASSETS	16	-195 875	37 404
CHANGE IN RECEIVABLES		-308 371	1 478 435
CHANGE IN INVENTORIES		75 654	420 781
CHANGE IN LIABILITIES		-174 387	-610 957
INTERESTS PAID		-334 354	-503 403
TOTAL CASH FLOW FROM OPERATING ACTIVITIES		1 967 779	3 037 064

CASH FLOW FROM INVESTING ACTIVITIES

PROCEEDS FROM SALES OF SHARES		0	363 863
PROCEEDS FROM SALES OF PROPERTY, PLANT AND EQUIPMENT		433 749	102 879
PROPERTY, PLANT AND EQUIPMENT ACQUIRED	7	-1 092 746	-1 365 267
INTANGIBLE ASSETS ACQUIRED		-19 173	0
FIXED ASSETS ACQUIRED WITH LEASE		0	60 509
CASH FLOW FROM SUBSIDIARIES		0	463 061
CHANGE IN LOANS GIVEN		0	23 954
INTEREST RECEIVED	17	10 018	15 783
TOTAL CASH FLOW FROM INVESTING ACTIVITIES		-668 152	-335 218

CASH FLOW FROM FINANCING ACTIVITIES

LOAN REPAYMENTS		-766 938	-6 148 285
LONG-TERM LOANS RECEIVED		0	3 834 689
LEASE PAYMENTS		-43 585	-176 046
OTHER FINANCING INCOME/EXPENSES	17,18	-42 866	13 783
TOTAL CASH FLOW FROM FINANCING ACTIVITIES		-853 389	-2 475 859

CHANGE IN CASH AND CASH EQUIVALENTS		446 237	225 987
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CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1	449 552	172 288
CHANGE		446 237	225 987
CHANGE IN FOREIGN CURRENCY EXCHANGE RATE	17	644	51 277
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1	896 433	449 552

STATEMENT OF CHANGES IN EQUITY

EEK	Note No.	SHARE CAPITAL	CAPITAL RESERVE	REVALUATION RESERVE	PROFIT FOR THE FINANCIAL YEAR	RETAINED LOSS	TOTAL
1 JANUARY 2000		78 775 000	0	62 199 431	-43 174 358	-21 973 352	75 826 721
RETAINED LOSS		0	0	0	43 174 358	-43 174 358	0
NET PROFIT		0	0	0	20 288 765	0	20 288 765
EFFECT OF ADOPTING IAS 40	8	0	0	-15 268 819	0	15 268 819	0
31 DECEMBER 2000		78 775 000	0	46 930 612	20 288 765	-49 878 891	96 115 486

1 JANUARY 2001		78 775 000	0	46 930 612	20 288 765	-49 878 891	96 115 486
CAPITAL RESERVE MADE COVERING RETAINED LOSS		0	1 045 874	0	-1 045 874	0	0
SALE OF REVALUED PROPERTY, PLANT AND EQUIPMENT		0	-1 045 874	0	-19 242 891	20 288 765	0
DEPRECIATION OF REVALUED PROPERTY, PLANT AND EQUIPMENT		0	0	-1 614 647	0	1 614 647	0
NET PROFIT		0	0	-2 539 630	0	2 539 630	0
		0	0	0	29 953 146	0	29 953 146
31 DECEMBER 2001	12	78 775 000	0	42 776 334	29 953 146	-25 435 847	126 068 633

EUR	Note No.	SHARE CAPITAL	CAPITAL RESERVE	REVALUATION RESERVE	PROFIT FOR THE FINANCIAL YEAR	RETAINED LOSS	TOTAL
1 JANUARY 2000		5 034 627	0	3 975 258	-2 759 337	-1 404 350	4 846 198
RETAINED LOSS		0	0	0	2 759 337	-2 759 337	0
NET PROFIT		0	0	0	1 296 685	0	1 296 685
EFFECT OF ADOPTING IAS 40	8	0	0	-975 853	0	975 853	0
31 DECEMBER 2000		5 034 627	0	2 999 405	1 296 685	-3 187 834	6 142 883

1 JANUARY 2001		5 034 627	0	2 999 405	1 296 685	-3 187 834	6 142 883
CAPITAL RESERVE MADE COVERING RETAINED LOSS		0	66 843	0	-66 843	0	0
SALE OF REVALUED PROPERTY, PLANT AND EQUIPMENT		0	-66 843	0	-1 229 842	1 296 685	0
DEPRECIATION OF REVALUED PROPERTY, PLANT AND EQUIPMENT		0	0	-103 195	0	103 195	0
NET PROFIT		0	0	-162 312	0	162 312	0
		0	0	0	1 914 350	0	1 914 350
31 DECEMBER 2001	12	5 034 627	0	2 733 899	1 914 350	-1 625 643	8 057 234

ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the International Accounting Standards (hereinafter IAS).

The company's accounting is based on the acquisition cost principle.

The principal accounting principles have been provided below.

Foreign currency transactions

The financial statements have been presented both in Estonian kroons and euros (1 EUR = 15,64664 EEK based on the foreign currency exchange rate of the Bank of Estonia) due to the issuing of the European common currency in most EU countries since January 2002.

Foreign currency transactions are recorded in Estonian kroons based on the foreign currency exchange rates of the Bank of Estonia officially valid on the transaction date. Monetary assets and liabilities denominated in foreign currency as at 31 December 2001 have been revalued into Estonian kroons and euros based on the foreign currency exchange rates of the Bank of Estonia officially valid on the balance sheet date.

Exchange differences from foreign currency transactions are recorded as foreign exchange gains or losses in the income statement, foreign exchange gains and losses related to suppliers and purchasers are recorded at revenue and expenses, other exchange differences are recorded at financial income and expenses.

Fixed assets

Assets with a useful life of over 1 year and an acquisition cost of over 10 000 kroons (639 EUR) are considered to be fixed assets. Low-value items are fully expensed when acquired.

Land and buildings are recorded at revalued value less accumulated depreciation. Equipment and other fixed assets are recorded at acquisition cost minus depreciation of fixed assets.

The revaluation reserve of fixed assets has been recorded at owners' equity in the balance sheet. The latter reserve will be decreased and retained earnings will be increased by the amount of depreciation from revaluation.

Reconstruction costs are added to the cost of fixed assets. Repair costs, not extending the useful life of assets, are recorded at expenses of the period.

Depreciation is calculated based on the straight-line method according to the useful life of an asset. The annual depreciation rates for the groups of fixed assets in Kalev Ltd are as follows:

Buildings and facilities	33 years	3 %
Plant, equipment and vehicles	5 years	20 %
Computers	2 years	50 %
Other equipment and fixtures	3,3 years	30 %

Land is a fixed asset with unlimited useful life and is not depreciated.

Profit or loss from sale of fixed assets are recorded accordingly at revenue or expenses.

The expenses of objects, equipment, systems etc to be constructed are collected at the account of construction in progress which, when completed, are transferred to the account of fixed assets based on the act. The account of uninstalled plant and equipment includes the fixed assets purchased, but uninstalled during the reporting period.

Investment property

According to IAS 40 valid from 1 January 2001 investment property is the land or building held by the company with the aim to lease the latter or expect the rise in market value. Investment property is assessed based on the real value (market value) method. Changes in real value are recorded at financial income or expenses.

Intangible assets

Intangible assets is the trademark acquired. Trademark is depreciated based on straight-line method during five years, the acquisition cost of assets is decreased by the amount of depreciation.

Customer receivables

General provisions are made for the overdue and doubtful customer receivables. Uncollectible receivables are assessed on an individual basis. Uncollectible receivables are written off the balance sheet.

Inventories

Inventories are recorded in the balance sheet at the lower of acquisition cost or net realisable value. Inventories are recorded based on the average weighted acquisition cost method. Raw materials are recorded at acquisition cost. Finished products and work-in-progress are recorded at production cost consisting of direct and indirect costs related to production.

Payables to employees

The company has made the vacation pay reserve. According to the number of vacation days unused by the employees the vacation pay reserve is calculated as the percent of wage, social tax and (from 1 January 2002) unemployment insurance payment from this wage.

Deferred income tax

According to Estonian Income Tax Law which took effect on 1 January 2000 no differences between the tax bases and carrying values of assets and liabilities exist.

Dividends paid by the company to resident natural persons and non-residents are subject to income tax (26/74 of net dividend paid). Income tax liability is recorded in the balance sheet at the moment of payment of dividends.

Accrued income and expenses

The balance sheet includes accrued income and expenses, i.e. income and expenses (e.g. loan interests) recorded at the income statement of the period, but not yet received.

Lease accounting

Lease agreements are treated as financial lease, when all material risks and earning opportunities subject to agreement are transferred to the lessee. All other agreements are treated as operating lease agreements. Asset objects acquired on financial lease terms are recorded as fixed assets (present value of lease payments is considered acquisition cost) and is depreciated according to the standards fixed in the company. Interests paid on lease payments are recorded at interest expenses of financial income in the income statement.

The present value of lease payments of assets given on financial lease by the company is recorded as the receivable, interest payments are recorded at interest income in financial income of income statement when incurred.

Operating lease payments are recorded accrually in the period the expenses incur.

Sales revenue

Net sales records the amounts received for goods and services sold less discounts and VAT. Revenue from the sales of goods is recognised when the title has been transferred to the purchaser which is generally the moment of sale. Revenue from the sales of services is recorded in the month of rendering the service.

Research and development costs

Research costs are expensed when incurred. Development costs are assessed on an individual basis according to the future financial income and are either capitalised or expensed based on the assessment.

Earnings per share

Earnings per share are found by dividing the net profit with the average weighted number of shares.

Cash flow statement

Cash flow statement was prepared based on the indirect method.

Capital reserve

According to the Commercial Code statutory legal reserve is made based on the decision of the general meeting at least as for 5% of the net profit for the financial year, upto capital reserve has obtained 10% of the share capital. The capital reserve could be used for covering the retained loss or increasing the share capital. No payments will be made from the capital reserve to shareholders.

Cash and cash equivalents

Cash and cash equivalents consist of the balances of cash and cash equivalents accounts, short-term deposits (up-to 3 months) are recorded at bank accounts. Overdraft is recorded as the short-term debt liability.

Loan expenses

Loan expenses are not capitalised, but are expensed accrually.

NOTES TO THE FINANCIAL STATEMENTS

1. Cash and cash equivalents

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Cash in hand	0	0	14 538	929
Bank accounts	13 991 165	894 196	5 819 434	371 929
Deposits	35 000	2 237	1 200 000	76 694
TOTAL	14 026 165	896 433	7 033 972	449 552

The company's cash in hand was liquidated in December 2001.

2. Customer receivables

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Customer receivables	46 603 329	2 978 488	31 980 687	2 043 933
Allowance for doubtful receivables	-17 064 861	-1 090 641	-8 106 862	-518 122
TOTAL	29 538 468	1 887 847	23 873 825	1 525 812

Changes in allowance for doubtful receivables

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Opening balance	-8 106 862	-518 122	-15 536 501	-992 961
Discount of doubtful receivables	-12 600 000	-805 285	-9 000 000	-575 203
Write-off of uncollectible receivables	3 742 001	239 157	13 307 433	850 498
Change caused by the sale of subsidiaries	0	0	3 122 206	199 545
TOTAL	-16 964 861	-1 084 249	-8 106 862	-518 122

During 2001 general reserve has been made for the doubtful receivables according to the prudence principle (overdue 91 and more days). Uncollectible receivables have been written off the balance sheet.

3. Other receivables

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Short-term lease liabilities	100 152	6 401	283 826	18 140
Other accounts receivable	6 961 990	444 951	6 132 929	391 965
Other allowance for doubtful receivables	-6 000 000	-383 469	-3 000 000	-191 734
TOTAL	1 062 142	67 883	3 416 755	218 370

During 2001 the allowances for other overdue doubtful receivables were increased.

4. Prepaid expenses

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Prepaid taxes	67 985	4 345	126 483	8 084
VAT of prospective periods	1 367 298	87 386	1 422 016	90 883
Other prepaid expenses	1 595 446	101 967	583 322	37 281
TOTAL	3 030 730	193 698	2 131 821	136 248

Tax prepayments include the corporate tax liability to be returned by the Tax Board in 2001 and VAT liability in 2000. VAT of prospective periods consists of the receivables from the Customs Board for the VAT. Other prepaid expenses comprises prepayments of insurance charges, periodicals etc.

5. Inventories

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Raw materials	23 990 107	1 533 243	21 756 262	1 390 475
Work-in-progress	824 188	52 675	1 520 535	97 180
Finished products	6 955 450	444 533	8 664 688	553 773
Merchandise for resale	0	0	4 157 692	265 724
Prepayments to suppliers	3 466 472	221 547	1 142 294	73 006
Write-down of inventories	-7 664 346	-489 840	-8 485 870	-542 345
TOTAL	27 571 871	1 762 159	28 755 601	1 837 813

During 2001 low-value asset items were expensed and taken into use in the amount of 808 394 EEK (51 666 EUR), during 2000 in the amount of 670 975 EEK (42 883 EUR).

During 2001 the materials inventories have been written down or written off in amount of 4 116 478 EEK (263 090 EUR) and general reserves of 3 000 000 EEK (191 734 EUR) for obsolete and slow moving inventories have been made according to prudence principle. In 2000 the materials inventories were written off in the amount of 28 895 EEK (1 847 EUR) and general reserves were made of 4 542 279 EEK (290 304 EUR).

Inventories of 7 808 432 EEK (499 048 EUR) are recorded at net realisable value in the balance sheet.

6. Other long-term liabilities

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Long-term lease liability	0	0	77 467	4 951
Long-term prepayment	330 400	21 116	293 689	18 770
Other long-term liabilities	556 780	35 585	0	0
TOTAL	887 180	56 701	371 156	23 721

The prepayment for the lease of the building of Kalevite Kodu located in Pärnu is recorded at other long-term liabilities. Other long-term liabilities include liabilities for the shares of Baltcom Eesti Ltd. In October the majority share of Baltcom Eesti was acquired as the short-term securities with the aim of resale. The shares were sold in the same month with sales price of 540 425 EEK (34 539 EUR), the due date of payment is 1 October 2003.

7. Property, plant and equipment

	Land	Buildings and facilities	Plant, equipment and vehicles	Other fixed assets	Construction in progress and uninstalled equipment	TOTAL
In 2001 EEK						
Residual value 1 January 2001	36 283 851	71 886 065	14 451 696	1 480 975	3 001 169	127 103 755
Purchase	6 615 000	3 744 734	783 553	428 662	5 218 704	16 790 653
Installed equipment	2 178 750	0	688 200	0	-2 866 950	0
Prepayments for fixed assets	0	0	0	0	307 155	307 155
Sale	-2 060 300	-878 552	-216 449	-92 633	0	-3 247 934
Write-off	0	0	-473 912	-89	0	-474 001
Depreciation charge for year	0	-2 391 509	-6 407 497	-1 122 670	0	-9 921 676
Reclassification to investment property	-8 793 750	-28 544 028	0	0	0	-37 337 778
Residual value 31 December 2001	34 223 551	43 816 710	8 825 591	694 244	5 660 078	93 220 174
Cost 31 December 2001	34 223 551	52 820 902	37 465 236	10 189 745	5 768 078	140 467 512
Accumulated depreciation 31 December 2001	0	-9 004 192	-28 639 645	-9 495 501	-108 000	-47 247 338
Residual value 31 December 2001 EUR	34 223 551	43 816 710	8 825 591	694 244	5 660 078	93 220 174
In 2001 EEK						
Residual value 1 January 2001	2 318 955	4 594 345	923 629	94 651	191 809	8 123 390
Purchase	422 774	239 332	50 078	27 396	333 535	1 073 116
Installed equipment	139 247	0	43 984	0	-183 231	0
Prepayments for fixed assets	0	0	0	0	19 631	19 631
Sale	-131 677	-56 150	-13 834	-5 920	0	-207 580
Write-off	0	0	-30 288	-6	0	-30 294
Depreciation charge for year	0	-152 845	-409 513	-71 752	0	-634 109
Reclassification to investment property	-562 022	-1 824 291	0	0	0	-2 386 313
Residual value 31 December 2001	2 187 278	2 800 391	564 057	44 370	361 744	5 957 840
Cost 31 December 2001	2 187 278	3 375 862	2 394 459	651 242	368 646	8 977 487
Accumulated depreciation 31 December 2001	0	-575 471	-1 830 402	-606 872	-6 902	-3 019 648
Residual value 31 December 2001 EEK	2 187 278	2 800 391	564 057	44 370	361 744	5 957 840

In 1999 the revaluation of fixed assets of Kalev Ltd was added to the financial statements. The independent assessor Uus Maa Kinnisvaraarendus OÜ evaluated fixed assets which assessed two real estate owned by Kalev Ltd (including land and buildings): Pärnu road 139 and Suur-Sõjamäe põik 9. The revaluation was based on the market value of the current usage. The methods of market transaction comparison and capitalised income were used for determining the book market value. As a result of the revaluation the residual value of the real estate at Pärnu road was 139 90,000,000 EEK (5 752 034 EUR) and the residual value of the real estate Suur-Sõjamäe põik 9 was 3 000 000 EEK (191 734 EUR) as at 30 September 1999.

The residual values of fixed asset groups of Kalev Ltd without the revaluation of fixed assets as at 31 December 2001 were the following: land 26 910 814 EEK (1 719 910 EUR), buildings and facilities 39 768 751 EEK (2 541 680 EUR).

In April Kalev Ltd sold the warehouse complex at Suur-Sõjamäe põik 9 to Deliver Ltd. The value of the sales transaction was 6 000 000 EEK (383 469 EUR). The revaluation reserve has been decreased by the residual value of revaluation of real estate.

The major construction projects of 2001 were the renovation of the building of Põlva Kalevite Kodu and an office building at Kohila street (In December 2001 used as Christmas land), small package automaton and milk mixing equipment were installed and implemented as new equipment.

See Note 15 for depreciation calculated on fixed assets in 2001.

The company uses fully depreciated fixed assets in its production activities:

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Buildings and facilities (at acquisition cost)	241 768	15 452	395 357	25 268
Plant and equipment (at acquisition cost)	5 873 647	375 394	3 298 744	210 828
Other equipment and fixtures (at acquisition cost)	8 259 426	527 872	6 155 652	393 417
TOTAL	14 374 841	918 717	9 849 753	629 512

Financial lease

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Fixed assets acquired with financial lease	253 293	16 188	609 695	38 967
Accumulated depreciation	-219 521	-14 030	-346 513	-22 146
Incl. depreciation of reporting period	-50 659	-3 238	-121 939	-7 793
Residual value	33 772	2 158	263 182	16 820

Fixed assets (forklifts and office cars) acquired on financial lease terms are recorded at "plant and equipment". The short-term part of financial lease payments is recorded at other short-term debt liabilities, long-term part at long-term liabilities. See also Note 21.

8. Investment property

	Land	Buildings	TOTAL
In 2001 EEK			
Value as at 1 January 2001	0	0	0
Reclassification to investment property	8 793 750	28 544 028	37 337 778
Value 31 December 2001	8 793 750	28 544 028	37 337 778
In 2001 EUR			
Value as at 1 January 2001	0	0	0
Reclassification to investment property	562 022	1 824 291	2 386 313
Value 31.12.2001	562 022	1 824 291	2 386 313

Based on IAS 40 valid from 1 January 2001 Kalev Ltd has chosen the fair value (market value) method for recording the investment property.

Kalev Ltd considers the buildings and land leased, but not used in the production activities and held with the aim of gaining future income, as investment property. As a result of reclassification the investment property has been transferred in 2001 from the fixed asset line to investment property and calculation of depreciation of the latter was finished from the beginning of 2001.

Due to the application of IAS 40 the balance of revaluation reserve at owners' equity and retained loss have been decreased at the end of 2000 by the revaluation of investment property in 1999 (see Note 7) and the depreciation calculated additionally on the latter upto the end of 2000. See statement of changes in equity.

No independent professionally qualified valuer have been used for the valuation of investment property at the end of 2001. The management of Kalev Ltd estimates that no significant change has taken place in market price and investment property are recorded in the same value at the year end as compared to the beginning of the year.

Lease income from investment property are recorded at net sales of income statement, see Note 13.

As buildings are leased through an operator company no material direct maintenance or administration expenses as to investment property incur for Kalev Ltd.

The commercial pledge has been set to secure the bank claims as the part of fixed assets for the buildings among the investment property. See also Note 22.

9. Debt liabilities and long-term liabilities

Short-term liabilities

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Short-term part of long-term loan	12 000 000	766 938	12 000 000	766 938
Finance lease liabilities	104 886	6 703	786 851	50 289
TOTAL	12 104 886	773 641	12 786 851	817 227

Long-term liabilities

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Long-term finance lease liability	58 076	3 712	0	0
Long-term loans	27 000 000	1 725 610	39 000 000	2 492 548
TOTAL	27 058 076	1 729 322	39 000 000	2 492 548

The total amount of long-term financing loan as at 31 December 2001 was 39 000 000 EEK (2 492 548 EUR), 27 000 000 EEK (1 725 610 EUR) of which has been recorded as long-term liability and 12 000 000 EEK (766 938 EUR) to be paid in 2002 as short-term liability.

Loan repayments

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Upto during 1 year	12 000 000	7 877 500	12 000 000	7 877 500
1-2 years	12 000 000	7 877 500	12 000 000	7 877 500
2-5 years	15 000 000	958 672	27 000 000	1 725 610
To be repaid in total	39 000 000	16 713 672	51 000 000	17 480 610

The due date of the loan issued by Ühispank is 15 March 2005, repayments are made four times a year. As at 31 December 2001 the interest rate is an interest marginal (3.5%) plus 6-month EURIBOR. The 2nd rank mortgage and commercial pledge are the loan collaterals. See Note 22.

10. Tax liabilities

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Social insurance tax	3 120 017	199 405	2 692 062	172 054
Personal income tax	2 145 564	137 126	1 628 204	104 061
Fringe benefit tax and corporate income tax	0	0	13 914	889
VAT	3 221 882	205 915	565 209	36 123
Unemployment insurance tax	44 058	2 816	0	0
KOKKU	8 531 521	545 262	4 899 389	313 127

11. Other liabilities

Other liabilities include:

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Payables to employees	4 474 772	285 989	3 268 415	208 889
Other accrued expenses	375 488	23 998	532 008	34 001
TOTAL	4 850 260	309 987	3 800 423	242 891

Payables to employees are the following:

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Payable as to wages	2 279 420	145 681	2 094 041	133 833
Other withholdings from wages	28 185	1 801	1 346	86
Vacation pay reserve	2 167 167	138 507	1 173 028	74 970
TOTAL	4 474 772	285 989	3 268 415	208 889

Other accrued expenses are the following:

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Interest payable	289 965	18 532	469 959	30 036
Other accrued expenses	85 522	5 466	62 049	3 966
TOTAL	375 488	23 998	532 008	34 001

12. Owners' equity

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Number of common shares	7 877 500	7 877 500	7 877 500	7 877 500
Nominal value	10	0,64	10	0,64

According to the Articles of Association the maximum share capital is 31 510 000 shares with the nominal value of 10 EEK (0,64 EUR). The tied-up capital as at 31 December 2001 is 121 551 334 EEK (7 768 526 EUR), free owners' equity 4 517 299 EEK (288 707 EUR).

See also statement of changes in equity.

13. Segments

The management treats the segments of business activities as primary in the group activities. More than 95% of the group assets, liabilities, acquisition of fixed assets and cash flows are related to the segment of confectionery, no detailed data have been disclosed on other activities.

Sales by activities:

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Confectionery	304 056		316 496	
Services	325 19 432 691		995 20 227 793	
Lease income from investment property	1 320 034	84 365	9 344 557	597 225
Other sales	6 053 866	386 912	4 208 958	269 001
	6 099 292	389 815	9 579 099	612 214
TOTAL	317 529		339 629	
	516 20 293 783		609 21 706 233	

See Note 8 investment property.

Geographical division is treated as secondary. All assets of the company are located in Estonia, thus no detailed data have been disclosed on the assets of the segment.

Sales by markets:

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Estonia	260 882		250 255	
Russia, CIS countries	556 16 673 392		419 15 994 195	
Ukraine	8 487 014	542 418	30 730 987	1 964 063
Baltic countries	11 097 712	709 271	11 263 196	719 848
Other	30 971 312	1 979 423	40 781 917	2 606 433
	6 090 922	389 280	6 598 090	421 694
TOTAL	317 529		339 629	
	516 20 293 783		609 21 706 233	

14. Personnel expenses

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Wages and salaries	39 740 081	2 539 848	46 024 668	2 941 505
Incl. dismissal fees	1 795 840	114 775	5 132 246	328 009
Fee paid to foreigners	313 673	20 047	1 381 945	88 322
Social taxes on wages	12 984 103	829 833	14 970 151	956 765

The salaries of employees in production are included in the direct expenses of goods sold, salary of employees in marketing is recorded accordingly at marketing or administration and general expenses.

In 2001 Kalev Ltd employed 542 employees in average, of which 83 employees at the position of specialists and managers. The average monthly salary of the company's employees (incl. top managers) in 2001 was 6 273 EEK (401 EUR), in 2000 the average salary was 5 118 EEK (327 EUR). 2 foreigners were employed. In 2001 44 employees were dismissed due to structural changes.

15. Depreciation of fixed assets

Depreciation of fixed assets is included in the income statement at three lines:

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Depreciation of production fixed assets in costs of goods sold	6 244 310	399 083	6 773 640	432 913
Depreciation of fixed assets in marketing expenses	549 704	35 132	1 037 590	66 314
Depreciation of fixed assets in general and administration expenses	3 127 662	199 894	3 164 668	202 259
TOTAL	9 921 676	634 109	10 975 898	701 486

16. Other income and expenses

Other income:

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Profit from sales of property, plant and equipment	3 080 915	196 906	590 522	37 741
Net currency profit	0	0	309 135	19 757
Other income	706 677	45 165	3 006 791	192 168
TOTAL	3 787 592	242 071	3 906 448	249 667

Other expenses:

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Loss from sales and write-down of property, plant and equipment	16 131	1 031	76 141	4 866
Net currency loss	342 617	21 897	0	0
Write-down of receivables	15 600 000	997 019	16 845 850	1 076 643
Other expenses	1 384 354	88 476	7 850 646	501 746
TOTAL	17 343 102	1 108 423	24 772 637	1 583 256

17. Financial income

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Proceeds from sale of shares	0	0	1 470 116	93 957
Net currency profit	10 077	644	823 082	52 604
Interest income	156 754	10 018	246 947	15 783
Other financial income	136 945	8 752	4 065 944	259 861
TOTAL	303 775	19 415	6 606 089	422 205

18. Financial expenses

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Interest expenses	5 051 527	322 851	8 005 754	511 660
Change in value of private portfolio	0	0	184 547	11 795
Other financial expenses	1 889 502	120 761	1 805 358	115 383
KOKKU	6 941 029	443 611	9 995 659	638 837

19. Income tax

Income tax as 26/74 of net dividend paid is to be paid in payment of retained earnings as dividends incurred after 31 December 1999. Due to the new Income Tax Law valid from 1 January 2000 all off-balance sheet income tax assets and deferred tax loss ceased to exist.

The company has recorded the income tax prepayment on dividends of 694 583 EEK (44 392 EUR) as off-balance sheet assets, that can be used for income tax payments on prospective period dividends.

20. Earnings per share

The company's shares are common shares with the nominal value of 10 EEK (0,64 EUR).

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Net profit	29 953 146	1 914 350	20 288 765	1 296 685
Weighted average number of shares of period	7 877 500	7 877 500	7 877 500	7 877 500
Earnings per share (EPS)	3,80	0,24	2,58	0,16

The company has no potentially issued common shares, thus resolved earnings per share are the same as regular earnings per share.

21. Operating lease and financial lease

Operating lease

The company leases cars, forklifts and computer equipment in terms of operating lease. The lease payments are divided as follows:

	2001 EEK	2001 EUR	2000 EEK	2000 EUR
Lease payments of the reporting year	2 500 186	159 791	473 315	30 250
To be paid upto 1 year	2 370 256	151 487	1 187 310	75 883
To be paid 1 upto 5 years	2 722 370	173 991	1 793 006	114 594

Financial lease

Financial lease payments are divided according to payment dates:

EEK	2001			2000		
	Main part	interest	Total payment	Main part	interest	Total payment
Upto 1 year	95 818	9 381	105 199	780 259	6 592	786 851
1 – 5 years	58 076	1 966	60 042	0	0	0

EUR	2001			2000		
	Main part	interest	Total payment	Main part	interest	Total payment
Upto 1 year	6 124	600	6 723	49 868	421	50 289
1 – 5 years	3 712	126	3 837	0	0	0

See also Note 7.

22. Off-balance sheet assets and liabilities

In order to meet the bank requirements the 2nd rank mortgage in value of 130 000 000 EEK (8 303 493 EUR) has been set on the real estate at Pärnu road 139 in Tallinn and the 3rd rank mortgage in value of 2 000 000 EEK (127 823 EUR) at Põrguvälja real estate in 3/5 part located at Rae commune, also commercial pledge in value of 50 000 000 EEK (3 195 574 EUR) has been set on all goods and raw material inventories and fixed assets of Kalev Ltd, see also Notes 5 and 7.

As at 31 December 2001 Kalev Ltd bails the overdraft agreement received from Hansapank by Andrus Koha in the amount of 85 000 EEK (5 432 EUR).

23. Transactions with related parties

AS Kalev and Tallinna Piimatööstus Ltd are related through common owners. Kohuke Ltd is the subsidiary of Tallinna Piimatööstus Ltd. Cassel Grupp Ltd is the shareholder of Kalev Ltd.

	Purchase 2001 EEK	Sale 2001 EEK	Balance of receivables 2001 EEK
Tallinna Piimatööstus Ltd (raw materials, goods)	13 526 814	478 734	1 152 628
Kohuke Ltd (semiproduct)	0	346 821	38 557
Cassel Grupp Ltd (lease of the building)	388 401	6 920	8 006

	Purchase 2001 EUR	Sale 2001 EUR	Balance of receivables 2001 EUR
Tallinna Piimatööstus Ltd (raw materials, goods)	864 519	30 597	73 666
Kohuke Ltd (semiproduct)	0	22 166	2 464
Cassel Grupp Ltd (lease of the building)	24 823	442	512

In 2001 Kalev Ltd has purchased management services of 518 700 EEK (33 151 EUR) from the companies where the members of the boards have a share. The liability for the mentioned services of 47 082 EEK (3 009 EUR) has been recorded in the balance sheet as at 31 December 2001. The company's management estimates that the agreed prices used in related party transactions do not materially differ from the market prices.

24. Currency risk

Balances of assets and liabilities fixed in foreign currency:

Currency	Bank accounts	Customer receivables	Supplier payable	Total	Total EEK	Total EUR
USD	60 792	278 835	-423 311	-83 684	-1 480 521	-94 622
DEM	0	9 007	-184 703	-175 697	-1 405 572	-89 832
SEK	0	0	-6 750	-6 750	-11 355	-726
LTL	0	0	-1 172	-1 172	-5 183	-331
RUR	0	0	-34 210	-34 210	-19 828	-1 267
EUR	151	153	-521 181	-520 876	-8 149 967	-520 876

The total amount of liabilities fixed in currency exceeds the amount of receivables denominated in currency by 11 072 427 EEK (707 655 EUR) as at 31 December 2001.

25. Credit risk

Credit risk involves potential loss incurred from the business partners, especially in Russia and CIS countries. Credit sale will be made available to the business partner based on the length of the cooperation and the company's background. Cooperation partners in Russia and CIS countries receive goods with prepayment. The credit risk of major customers is hedged by the factoring of sales invoices without recourse. As at 31 December 2001 the receivables from Latvia, Lithuania, Russia and CIS countries made total of 5 503 506 EEK (351 737 EUR).

26. Real value

The book value of financial assets and liabilities do not materially differ from their real value.

4. THE NUMBER OF SHARES OWNED BY MEMBERS OF THE MANAGEMENT BOARD AND THE COUNCIL

The shares belonging to the members of the Management Board and the Council of Kalev Ltd, as of December 21, 2001:

	Number of shares	%
Heino Priimägi	-	-
Ülo Suurkask	-	-
Kristel Soll	-	-
Oliver Kruuda	2 399 421	30,46% (via Linderin Group OÜ)

5. SHAREHOLDERS WITH SIGNIFICANT HOLDINGS

Kalev Ltd is one of the few Estonian food companies still based on local capital. At the end of 2001 the company had 1408 shareholders. Five of them had more than 5 per cent of shares:

	No of shares	Shareholding
Linderin Group OÜ	2 399 421	30,46%
Milestone Ltd	1 859 000	23,06%
OÜ Nante Holding	806 267	10,23%
Estonian Ühispank	590 088	7,50%
Cassel Group OÜ	580 384	7,37%

6. PROFIT ALLOCATION PROPOSAL

The net profit of AS Kalev in 2001 was 29 953 146 kroons (1 914 350 euros).

The management board shall make a proposal to form the obligatory reserve capital from the net profit of 2001 in the amount of 5%, i.e. 1 497 675 kroons (95 717 euros); to cover the retained losses of previous periods in the amount of 25 435 847 kroons (1 625 643 euros). The rest of the profit 3 019 642 kroons (192 990 euros) to add to the accounting entry of retained profits of the previous periods.

7. SIGNATURES FOR THE ANNUAL REPORT 2001

The Annual Report of Kalev Ltd, consisting of the Activity Report, Financial Statements, Profit Allocation Proposal and Auditor's report, shall be signed by the chairman and members of the council of the Kalev Ltd as follows:

Chairman: Oliver Kruuda _____

Chairman of the Council: Heino Priimägi _____

Council member: Kristel Soll _____

Council member: Ülo Suurkask _____

In Tallinn
March 7th, 2002

AUDITOR'S REPORT

(Translation of the Estonian original)

To the shareholders of AS Kalev

We have audited the financial statements of AS Kalev (the Company) for the year ended 31 December 2001 as set out on pages 6 to 29. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The allowance for doubtful receivables as at 31 December 2001 is 17 million kroons, 13 of which is recorded as expenses in 2001. According to generally accepted accounting principles the receivables on the balance sheet must be valued based on the probability of their collection, however, the exercise of prudence does not allow excessive provisions. In our opinion the allowance should be smaller by 5-9 million kroons, and the current year profit of the company, as well as the receivables should be higher by the same amount.

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2001 and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.



Urmas Kaarlep
AS PricewaterhouseCoopers



Hanno Lindpere
Authorised auditor

6 March 2002