



Kalev Ltd.
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6 MONTHS INTERIM REPORT

Beginning of the period: 1 July 2002
End of the period: 31 December 2002

Beginning of the financial year: 1 July
End of the financial year 30 June

Main field of activity: manufacture, wholesale and retail,
export and import of all types of confectionery products
(including semi-finished products)

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1. COMMENTS ON FINANCIAL RESULTS

The consolidated net sales of Kalev Ltd in the second half-year of 2002 totalled 185.6 million kroons (11.9 million euros), which exceeds the net sales of the same period last year by 15.5 million kroons or approximately 9% (in 2001 – 170.1 million kroons or 10.9 million euros).

The consolidated net profit of the company in the last 6 months of 2002 amounted to 13.5 million kroons (865,000 euros), which constitutes a decrease of 5 million kroons (or nearly 27%), compared to the same period last year. Decrease in net profit was conditioned by the employment of additional sales workers in August, costs related to the construction of the new plant building as well as the sudden increase of raw material costs. Increase of raw material costs was conditioned by the price increase of an important raw material – cocoa beans – at the world market. In the second half-year of 2002, the costs of Kalev Ltd on cocoa beans increased by approximately 10 million kroons, compared to the same period last year.

The sales of Kalev Ltd at the home market were rejuvenated by active marketing activities, employment of additional sales workers as well as growth in the number of customers in connection with the application of the direct sales system in the sales activities.

In the given period, the company launched several new products to the market (including the *Valik* handmade chocolates in a metal box, which are mainly targeted to the tourist segment, and the *Vana Tallinn* gift box). Over 9,000 consumers participated at the prize draw of the *Mesikäpp* consumer campaign in September and November. The sales of 200-gram *Mesikäpp* candy bags and bars increased by nearly 3 times during the campaign period.

In October, Kalev Ltd launched the 2002 Christmas collection, which converged traditional Christmas products (different chocolates and boxed chocolate), the “*Päkapikutajad*” collection targeted to children, and new products launched in Christmas (e.g. *Žürii* candies). In co-operation with the Estonian Puppet Theatre, the children’s Christmas play “*Päkapikutajad*” was performed in December on the premises of Kalev Ltd. Nearly 23,000 people came to see the show. According to the research conducted by AS Emor, seven out of ten Estonians bought a Christmas product of Kalev Ltd at Christmas 2002 or at the turn of the year. Chocolates of different sizes proved to be the most popular product – people bought chocolates for both themselves, their families and as a gift to other people.

According to the survey provider AC Nielsen, Kalev Ltd’s share at the sugar and chocolate confectionery products market was 48.3% in the surveyed stores as at November 2002. In its main assortment group – chocolate confectionery – the market share of Kalev Ltd was nearly 56% in the same period.

Sales of confectionery products of Kalev Ltd totalled 3,809 tons in the last six months of 2002, and more-or-less remained on the same level, compared to the same period last year. Home market constituted 80% of the total sales; 20% of the sales were exported. In the given period, Latvia and the Ukraine remained the main export countries of the company. In addition to the above countries, Kalev Ltd also exported its products to Russia, Scandinavian countries and the United States.

Chocolate confectionery products (chocolate candies, chocolate bars and boxed chocolate) constituted 68% of the total sales of confectionery products of Kalev Ltd in the last six months of 2002.

In the given period, the company actively continued the construction of the new plant building in Põrguvälja, Rae Parish, Harjumaa. The so-called “topping-out celebration” was held on December 6. The warehouse for finished goods will be the first completed part of the new plant building of Kalev Ltd (February-March 2003). The company plans to put the new plant into operation sometime between July and September 2003.

The company’s marketing expenses increased by 6.2 million kroons (27.8%), compared to the same period last year. This was caused, first and foremost, by the increase in the number of employees of the Sales Department.

In 2001, the management of the company deemed it necessary to increase, during the year, the provisions for write-off of inventories as well as provisions for doubtful debts in the total amount of 16.8 million kroons (11.8 million kroons in the 1st half-year and 5 million kroons in the second half-year). General administrative expenses increased by the establishment of the above reserves. In the end of the financial year (in December 2001), the management decided to account for the reserves as operating expenses in the income statement. Therefore, the general administrative expenses in 2001 and 2002 cannot be compared.

The consolidated gross profitability of Kalev Ltd in the last six months of 2002 was 32.3%, which constitutes a decrease of 5.4%, compared to the same period last year. The main reason for the decrease of gross profitability was the 64% price increase of an important raw material (cocoa beans), compared to the second half-year of 2001.

In the second half-year of 2002, the average number of employees of Kalev Ltd amounted to 586, which constitutes an increase of 10%, compared to the same period last year. In October 2002, employer’s obligations arising from employment contracts concluded with the employees of AS Paide Piimakombinaat were transferred to Kalev Ltd. At the same time, the number of Kalev Ltd’s employees was also influenced by the increase in the staff of the Sales Department by 49 employees.

2. INTERIM FINANCIAL STATEMENTS

Management representation

The Manager of Kalev Ltd confirms that the Interim Report of Kalev Ltd, set out on pages 4-14, gives a true and fair view of the results of the company's operations in the 6 months in accordance with the going concern principle. This Interim Report has not been audited or otherwise reviewed by auditors.

Tallinn, 27 February 2003

Oliver Kruuda
Manager

BALANCE SHEET (consolidated, unaudited)

In kroons

ASSETS	Note	31.12.2002	30.06.2002
CURRENT ASSETS		EEK	EEK
CASH AND BANK ACCOUNTS		999 131	3 476 327
CUSTOMER RECEIVABLES		38 756 094	32 244 225
OTHER RECEIVABLES		14 657 744	9 692 416
PREPAID EXPENSES		12 674 291	3 333 224
INVENTORIES		38 794 080	48 968 656
TOTAL CURRENT ASSETS		105 881 340	97 714 848

NON-CURRENT ASSETS

OTHER LONG-TERM RECEIVABLES		887 180	887 180
LONG-TERM FINANCIAL INVESTMENTS		0	2 764 416
TANGIBLE ASSETS	1	292 375 281	166 533 651
REAL ESTATE INVESTMENTS	2	62 651 253	69 266 253
INTANGIBLE ASSETS		260 768	290 378
TOTAL NON-CURRENT ASSETS		356 174 482	239 741 878

TOTAL ASSETS		462 055 822	337 456 726
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LIABILITIES AND EQUITY**LIABILITIES**

LIABILITIES	3	16 672 116	33 891 332
CUSTOMER PREPAYMENTS		89 178	53 274
PAYABLES TO SUPPLIERS		71 465 760	35 565 238
TAX LIABILITIES		14 050 661	3 997 352
OTHER LIABILITIES		7 283 945	33 826 371
TOTAL CURRENT LIABILITIES		109 561 660	107 333 567

LONG-TERM LIABILITIES	3	110 086 060	21 000 000
OTHER LONG-TERM PAYABLES	3	25 352 583	5 120 672
TOTAL LONG-TERM LIABILITIES		135 438 643	26 120 672

EQUITY

SHARE CAPITAL		78 775 000	78 775 000
REVALUATION RESERVE		112 812 302	112 812 302
RETAINED EARNINGS		0	-18 341 560
LEGAL RESERVE		1 537 837	
PROFIT FOR THE YEAR-ENDED		10 392 119	
PROFIT FOR THE FINANCIAL YEAR		13 538 261	30 756 745
TOTAL EQUITY	4	217 055 519	204 002 487

TOTAL LIABILITIES AND EQUITY		462 055 822	337 456 726

BALANCE SHEET (consolidated, unaudited)
in euros

ASSETS	Note	31.12.2002	30.06.2002
CURRENT ASSETS		EUR	EUR
CASH AND BANK ACCOUNTS		63 856	222 177
CUSTOMER RECEIVABLES		2 476 960	2 060 776
OTHER RECEIVABLES		936 798	619 457
PREPAID EXPENSES		810 033	213 031
INVENTORIES		2 479 387	3 129 660
TOTAL CURRENT ASSETS		6 767 034	6 245 101

NON-CURRENT ASSETS

OTHER LONG-TERM RECEIVABLES		56 701	56 701
LONG-TERM FINANCIAL INVESTMENTS		0	176 678
TANGIBLE ASSETS	1	18 686 138	10 643 413
REAL ESTATE INVESTMENTS	2	4 004 135	4 426 909
INTANGIBLE ASSETS		16 666	18 558
TOTAL NON-CURRENT ASSETS		22 763 640	15 322 259

TOTAL ASSETS		29 530 674	21 567 361
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LIABILITIES AND EQUITY

LIABILITIES

PAYABLES	3	1 065 540	2 166 045
CUSTOMER PREPAYMENTS		5 699	3 405
PAYABLES TO SUPPLIERS		4 567 483	2 273 027
TAX LIABILITIES		897 999	255 477
OTHER LIABILITIES		465 528	2 161 894
TOTAL CURRENT LIABILITIES		7 002 248	6 859 848

LONG-TERM LIABILITIES	3	7 035 764	1 342 141
OTHER LONG-TERM PAYABLES	3	1 620 321	327 270
TOTAL LONG-TERM LIABILITIES		8 656 085	1 669 411

EQUITY

SHARE CAPITAL		5 034 627	5 034 627
REVALUATION RESERVE		7 210 002	7 210 002
RETAINED EARNINGS		0	-1 172 236
LEGAL RESERVE		98 285	
PROFIT FOR THE YEAR-ENDED		664 176	
PROFIT FOR THE FINANCIAL YEAR		865 250	1 965 709
TOTAL EQUITY	4	13 872 341	13 038 102

TOTAL LIABILITIES AND EQUITY		29 530 674	21 567 361

INCOME STATEMENT (consolidated, unaudited)**in kroons**

	Note	01.07.- 31.12.2002 EEK	01.07.- 31.12.2001 EEK
NET SALES	5	185 583 355	170 086 403
COST OF GOODS SOLD		125 722 936	106 030 725
GROSS PROFIT		59 860 419	64 055 678
MARKETING EXPENSES		28 401 644	22 227 398
ADMINISTRATION EXPENSES		15 074 997	8 540 910
OTHER INCOME		4 556 175	551 782
OTHER EXPENSES		2 553 618	12 493 218
OPERATING PROFIT		18 386 336	21 345 936
FINANCIAL INCOME		176 021	75 222
FINANCIAL EXPENSES		5 024 096	2 935 127
NET PROFIT		13 538 261	18 486 030
NET PROFIT			
EARNINGS PER SHARE	7	1.72	2.35

INCOME STATEMENT (consolidated, unaudited)**in euros**

	Note	01.07.- 31.12.2002 EUR	01.07.- 31.12.2001 EUR
NET SALES	5	11 860 908	10 870 475
COST OF GOODS SOLD		8 035 140	6 776 581
GROSS PROFIT		3 825 768	4 093 894
MARKETING EXPENSES		1 815 191	1 420 586
ADMINISTRATION EXPENSES		963 465	545 862
OTHER INCOME		291 192	35 265
OTHER EXPENSES		163 206	798 460
OPERATING PROFIT		1 175 098	1 364 250
FINANCIAL INCOME		11 250	4 808
FINANCIAL EXPENSES		321 097	187 588
NET PROFIT		865 250	1 181 470
NET PROFIT			
EARNINGS PER SHARE	7	0.11	0.15

CONSOLIDATED CASH FLOW STATEMENT (unaudited)
in kroons

	Note	01.07.- 31.12.2002 EEK	01.07.- 31.12.2001 EEK
CASH FLOWS FROM OPERATING ACTIVITIES			
OPERATING PROFIT		18 386 336	19 731 531
DEPRECIATION OF TANGIBLE ASSETS	7,15	3 290 832	5 267 564
AMORTISATION OF INTANGIBLE ASSETS		29 610	25 000
PROFIT/LOSS FROM SALES OF FIXED ASSETS	16		1 643 328
CHANGE IN RECEIVABLES		-22 468 263	2 307 151
CHANGE IN INVENTORIES		10 174 577	5 867 755
CHANGE IN LIABILITIES		42 955 816	-4 530 590
PAID INTERESTS		-3 273 024	-2 381 515
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		49 095 884	27 930 224

CASH FLOWS FROM INVESTING ACTIVITIES

PURCHASE OF SHARES OF SUBSIDIARIES			
SALES OF FIXED ASSETS (SALES PRICE)			534 695
PURCHASE OF FIXED ASSETS	7	-32 187 156	-8 569 783
PURCHASE OF INTANGIBLE ASSETS			-300 000
CHANGE IN GRANTED LOANS		1 650 000	
INTEREST RECEIPTS	17	25 422	72 659
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		-30 511 734	-8 262 429

CASH FLOWS FROM FINANCING ACTIVITIES

LOAN REPAYMENTS		-5 800 000	-6 000 000
OVERDRAFT		7 571 389	-5 347 025
CHANGE IN SHORT-TERM LOANS		320 279	
CHANGE IN LONG-TERM LIABILITIES		25 829 282	
LEASE PAYMENTS		-5 251 783	-41 834
BONDS PAID FOR		-19 621 987	
DIVIDEND PAYMENT		-23 632 500	
OTHER FINANCING INCOME/EXPENSES	17,18	-523 108	-360 713
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		-21 108 428	-11 749 572

CHANGE IN CASH AND CASH EQUIVALENTS		-2 524 278	7 918 223
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CASH AND CASH EQUIVALENTS IN THE BEGINNING OF THE YEAR	1	3 476 327	6 393 967
CHANGE		-2 524 278	7 918 223
FOREIGN EXCHANGE DIFFERENCE	17	47 082	-286 025
CASH AND CASH EQUIVALENTS IN THE END OF THE YEAR	1	999 131	14 026 165

CONSOLIDATED CASH FLOW STATEMENT (unaudited)

in euros

	Note	01.07.- 31.12.2002 EUR	01.07.- 31.12.2001 EUR
CASH FLOWS FROM OPERATING ACTIVITIES			
OPERATING PROFIT		1 175 098	1 261 071
DEPRECIATION OF TANGIBLE ASSETS	7,15	210 322	336 658
AMORTISATION OF INTANGIBLE ASSETS		1 892	105 028
PROFIT/LOSS FROM SALES OF FIXED ASSETS	16	0	147 453
CHANGE IN RECEIVABLES		-1 435 980	375 017
CHANGE IN INVENTORIES		650 272	-289 557
CHANGE IN LIABILITIES		2 745 370	-152 206
PAID INTERESTS		-209 184	-152 206
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		3 137 791	1 631 258

CASH FLOWS FROM INVESTING ACTIVITIES

PURCHASE OF SHARES OF SUBSIDIARIES		0	0
SALES OF FIXED ASSETS (SALES PRICE)		0	34 173
PURCHASE OF FIXED ASSETS	7	-2 057 129	-547 708
PURCHASE OF INTANGIBLE ASSETS		0	-19 173
CHANGE IN GRANTED LOANS		105 454	0
INTEREST RECEIPTS	17	1 625	4 644
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		-1 950 050	-528 064

CASH FLOWS FROM FINANCING ACTIVITIES

LOAN REPAYMENTS		-370 687	-383 469
OVERDRAFT		483 899	-341 736
CHANGE IN SHORT-TERM LOANS		20 470	0
CHANGE IN LONG-TERM LIABILITIES		1 650 788	
LEASE PAYMENTS		-335 649	-2 674
MANDATORY RESERVE		-1 254 070	
DIVIDEND PAYMENT		-1 510 388	
OTHER FINANCING INCOME/EXPENSES	17,18	-33 433	-23 054
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		-1 349 071	-750 933

CHANGE IN CASH AND CASH EQUIVALENTS		-161 330	352 261
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CASH AND CASH EQUIVALENTS IN THE BEGINNING OF THE YEAR	1	222 177	408 648
CHANGE		-161 330	506 065
FOREIGN EXCHANGE DIFFERENCE	17	3 009	-18 280
CASH AND CASH EQUIVALENTS IN THE END OF THE YEAR	1	63 856	896 433

**CHANGE IN OWNER'S
EQUITY (unaudited)**

in kroons

	Note No	SHARE CAPITAL	CAPITAL RESERVES	REVALUATION RESERVE	PROFIT FOR THE FINANCIAL YEAR	PROFIT OF THE YEAR	RETAINED EARNINGS	TOTAL
KALEV LTD								
1 JULY 2001		78 775 000	0	45 315 964	13 081 665	20 288 765	-48 264 242	109 197 152
FORMATION OF CAPITAL RESERVES		0	1 045 874		0	-1 045 874	0	0
TRANSFERS TO ACCUMULATED LOSS		0	-1 045 874		0	-19 242 891	20 288 765	0
REVALUATED DEPRECIATION OF FIXED ASSETS		0	0	-2 539 630	0		2 539 630	0
NET PROFIT		0	0	0	16 871 481		0	16 871 481
31 DECEMBER 2001		78 775 000	0	42 776 334	29 953 146	0	-25 435 847	126 068 633

1 JULY 2002		78 775 000	0	112 812 302	0	30 756 745	-18 341 560	204 002 487
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CONSOLIDATED

1 JULY 2002		78 775 000	0	112 812 302	0	30 756 745	-18 341 560	204 002 488
RETAINED EARNINGS (ACCUMULATED LOSS)						-485 230		-485 230
TRANSFERS TO ACCUMULATED LOSS						-18 341 560	18 341 560	0
CAPITAL RESERVES			1 537 837			-1 537 837		0
NET PROFIT					13 538 261			13 538 261
31 DECEMBER 2002	4	78 775 000	1 537 837	112 812 302	13 538 261	10 392 119	0	217 055 519

**CHANGE IN OWNER'S
EQUITY (unaudited)**

in euros

	Note No	SHARE CAPITAL	CAPITAL RESERVES	REVALUATION RESERVE	PROFIT FOR THE FINANCIAL YEAR	PROFIT OF THE YEAR	RETAINED EARNINGS	TOTAL
KALEV LTD								
1 JULY 2001		5 034 627	0	2 896 211	836 069	1 296 685	-3 084 639	6 978 952
ESTABLISHMENT OF CAPITAL RESERVES		0	66 843	0	0	-66 843	0	0
TRANSFERS TO ACCUMULATED LOSS		0	-66 843	0	0	-1 229 842	1 296 685	0
REVALUATED DEPRECIATION OF FIXED ASSETS		0	0	-162 312	0	0	162 312	0
NET PROFIT		0	0	0	1 078 281	0	0	1 078 281
31 DECEMBER 2001		5 034 627	0	2 733 899	1 914 350	0	-1 625 643	8 057 234

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1 JULY 2002		5 034 627	0	7 210 002	0	1 965 709	-1 172 236	13 038 102
RETAINED EARNINGS (ACCUMULATED LOSS)						-31 012		-31 012
TRANSFERS TO ACCUMULATED LOSS			0			-1 172 236	1 172 236	0
ESTABLISHMENT OF CAPITAL RESERVES			98 285			-98 285		0
NET PROFIT					865 250	0		865 250
31 DECEMBER 2002	4	5 034 627	98 285	7 210 002	865 250	664 176	0	13 872 341

Accounting principles

The consolidated interim report of AS Kalev (group) has been prepared in accordance with the Accounting Act of the Republic of Estonia, the “*Guidelines on Preparing and Submitting Interim Reports*” of the Accounting Board of the Republic of Estonia, as well as the requirements of international accounting standards on abbreviated interim reports (IAS 34). Interim reports apply the same accounting principles applied upon preparing the Annual Report for the year ended on 30 June 2002.

This interim report has been presented in both Estonian kroons and euros (based on the exchange rate of EUR 1 = EEK 15.64664).

Income statement formats

The balance sheet and income statement of Kalev Ltd and the group have been prepared in accordance with the formats provided in the Accounting Act of the Republic of Estonia. In order to improve the general overview, some entries have been converged. Detailed information on the entries has been laid down in the notes to the financial statements.

In the group’s consolidated reports, the financial statements of the parent company and its subsidiaries have been consolidated line-by-line by distinguishing between minority interest in the equity of the subsidiaries and the operating results, and eliminating the effect of the transactions between the group companies.

Background information on the company and consolidation principles

Kalev Ltd is an Estonian company, which deals with the wholesale and retail of all types of confectionery products, including the production of semi-finished goods.

The company has been registered and operates in Tallinn. The head office of the company is located in Tallinn at Pärnu mnt 139.

The shares of the company have been listed in the secondary list of the Tallinn Stock Exchange.

Subsidiaries are companies, where Kalev Ltd’s interest in the company exceeds 50%, or which Kalev Ltd has substantial control.

As at 31 December 2002, Kalev Ltd has an interest in two subsidiaries:

1. Kalev Merchant Services Ltd is a US-based subsidiary, which is fully owned by Kalev Ltd, and deals with the introduction and sales of Kalev Ltd’s production in the United States.
2. Kalev Ltd’s interest in AS Kalev Real Estate Company (hereinafter AS Kalev REC) is 59.3%. As at 31 December 2002, AS Kalev REC had a total of 40,900 shares with a nominal value of 1,000 kroons (64 euros).

AS Skanska EMV and Kalev Ltd have concluded a shareholder’s agreement, which obliges AS Skanska EMV to sell, and Kalev Ltd to purchase all shares held by AS Skanska EMV. Therefore, the minority interest has been accounted for under long-term liabilities in the consolidated balance sheet.

Upon acquiring the subsidiary, goodwill shall be accounted for, as at the date of acquisition, as the difference between the acquisition cost and the interest in net assets. Goodwill shall be depreciated in five years. Assets, liabilities, income and expenditure of subsidiaries shall be consolidated to the group reports from the moment of the acquisition of the subsidiary.

Investments in subsidiaries have been accounted for based on the equity method in the balance sheet and income statement of the parent company

Notes to consolidated financial statements

Note 1. Fixed assets

	EEK	EUR
Net book value 30.06.2002	166 533 651	10 643 413
Acquisition	127 103 383	8 123 366
Sales	-4 464 555	-285 336
Liquidation	-121 366	-7 757
Non-monetary contribution	6 615 000	422 774
Calculated depreciation	-3 290 832	-210 322
Net book value 31.12.02	292 375 281	21 122 878

Note 2. Real estate transactions

	Land	Buildings	TOTAL
In 2002 in EEK			
Value 01.07.2002	18 793 750	50 472 503	69 266 253
Non-monetary contribution	-6 615 000		-6 615 000
Purchase			
Value 31.12.2002	12 178 750	50 472 503	62 651 253
In 2002 in EUR			
Value 01.07.2002	1 201 136	3 225 773	4 426 909
Non-monetary contribution	-422 774		-422 774
Purchase			
Value 31.12.2002	778 362	3 225 773	4 004 135

Note 3. Payables and long-term liabilities

	31.12.2002 EEK	31.12.2002 EUR
Short-term liabilities	16 672 116	1 065 540
Long-term liabilities	135 438 643	8 656 085
TOTAL	152 110 759	9 721 625

Change in liabilities

	EEK	EUR
Balance 30.06.2002	60 012 004	3 835 456
Change in lease liabilities	311 104	19 883
Loan repayments	-6 000 000	-383 469
Other short-term loans	-19 101 708	-1 220 819
Overdraft	7 571 389	483 899
Other long-term loans	68 637 919	4 386 751
Long-term lease liabilities	40 680 051	2 599 922
Balance 31.12.2002	152 110 759	9 721 625

Note 4. Owner's equity

	31.12.2002 EEK	31.12.2002 EUR
Number of ordinary shares	7 877 500	7 877 500
Nominal value	10	0.64

Pursuant to the Articles of Association, the maximum share capital is 31,510,000 shares with a nominal value of EEK 10 (EUR 0.64).

Note 5. Accounting for segments

The Management of Kalev Ltd considers the segments of operations to be the priority in the company's activities. Over 95% of the group assets and liabilities, purchase of fixed assets and cash flows, are related to segments of confectionery products and real estate activities (purchase and sales of real estate as well as lease activities). Therefore, detailed information on other fields of activities, which are immaterial to the financial statements, shall not be disclosed.

Sales by fields of activities

	01.07.-31.12.2002	
	EEK	EUR
Confectionery products	176 457 878	11 277 685
Services	0	0
Lease income from real estate investments	4 198 249	268 316
Other sales	4 927 228	314 906
TOTAL	185 583 355	11 860 908

Other sales include the sales of services of the Paide production unit.

Sales by markets

	01.07.-31.12.2002	
	EEK	EUR
Estonia	162 525 763	10 387 263
Russia, CIS countries	3 439 425	219 819
The Ukraine	4 577 023	292 524
Baltic states	12 118 359	774 502
Other countries	2 922 785	186 800
TOTAL	185 583 355	11 860 908

Note 6. Compensations to employees

In the 1st quarter of the financial year 2003, redundancy payments or dismissal compensations were paid to 9 employees in the total amount of 570,867 kroons (EUR 36,485).

Note 7. Earnings per share

	01.07.-31.12.2002	
	EEK	EUR
Net profit	13 538 261	865 250
Weighed average number of shares during the period	7 877 500	7 877 500
Earnings per share (EPS)	1.72	0.11

The company has no contingently issuable ordinary shares. Therefore, diluted EPS equals to EPS.

Note 8. Transactions with related parties

	Purchase 01.07.- Sales 01.07.-		Balance of
	31.12.2002	31.12.2002	receivables
	EEK	EEK	EEK
Tallinna Piimatööstuse AS (raw materials, goods)	2 832 500.00	1 916 699	525 395
Kohuke AS (semi-finished products)		38 411	3 009
Cassel Grupp AS (building lease)	231 313		- 115 443

	Purchase 01.07.- Sales 01.07.-		Balance of
	31.12.2002	31.12.2002	receivables
	EUR	EUR	EUR
Tallinna Piimatööstuse AS (raw materials, goods)	181 029	122 499	33 579
Kohuke AS (semi-finished goods)		2 455	192
Cassel Grupp AS (building lease)	14 784		- 7 378