



AS Kalev

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3 MONTHS INTERIM REPORT

Beginning of the period 1.07.2004

End of the period 30.09.2004

Core activities: Production, wholesale, retail, export and import
of confectionery products incl. half finished products
Development, management, leasing, purchase and sale of
real estate. Production of food products.

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1. COMMENTS ON FINANCIAL RESULTS

Characteristic indicators for the 1st quarter of the financial year 2004/2005, compared to the 1st quarter of the financial year 2003/2004:

- Increase in revenue: 2.5 times (104.5 million kroons – i.e. 6.7 million euros);
- Increase in confectionery product revenue: 1.2 times (12.6 million kroons – i.e. 0.8 million euros);
- Increase in export revenue: 7.1 times (68.3 million kroons – i.e. 4.4 million euros);
- Increase in revenue per employee: 1.9 times (0.12 million kroons – i.e. 7.7 thousand euros);
- Increase in confectionery products sold: 1.7 times (1,048 tons);
- Dairy products sold: 3,900 tons (79 million kroons – i.e. 5 million euros);
- Increase in net profit: 15.9 million kroons – i.e. 1 million euros;
- Changes in the group structure

Group structure

In this 3-month interim report, the financial indicators of Kalev Ltd and its subsidiaries have been consolidated line by line.

The Kalev Group incorporates the parent company Kalev Ltd and six subsidiaries.

Name of subsidiary	Location	Share as of 30.09.2004
AS Kalev Paide Tootmine	Estonia	100%
AS Kalev Jõhvi Tootmine	Estonia	99.1%
AS Vilma	Estonia	60.7%
AS Kalev Real Estate Company (AS Kalev REC)	Estonia	59.3%
OÜ Maiasmokk	Estonia	81.3%
Kalev Merchant Services Ltd	USA	100%

On 1 July 2004, Kalev Ltd acquired 60.6746% of the shares (i.e. 436,857 shares) of Viljandi bakery AS Vilma, which currently manufactures baked goods and confectionery products as well as semi-manufactured flour products under the Vilma trademark. The objective of the purchase of the shares of AS Vilma was to expand the activities of Kalev Ltd in the flour confectionery sector in accordance with the company's long-term development strategy. The majority interest acquired in AS Kalev Jõhvi Tootmine (formerly known as AS Järle) at the end of 2003 was Kalev Ltd's first step towards this objective.

Product sales

In the first three months of the financial year 2004/2005, the main focus of the marketing and sales activities of KALEV Ltd lay in the preparation of Christmas sales.

New products launched by Kalev Ltd in the given period include chocolate-coated cocoa-flavoured pralines, boxed chocolate *Athena* and biscuits *Tähekesed*. Kalev Ltd also brought the biscuit series manufactured by AS Kalev Jõhvi Tootmine under the Kalev trademark, and modernised several dark bread and white bread packages of AS Kalev Jõhvi Tootmine. In co-operation with AS EMT, the company launched a new product – POP-biscuits – for young sweet teeth.

According to the retail survey conducted by AC Nielsen Eesti, Kalev Ltd's market share was 44.7% in August and September 2004, as regards chocolate confectionery and sugar confectionery products. In the biscuit sector, the company's market share was 20.1% in the same period.

Kalev Ltd sold a total of nearly 2,650 tons of confectionery products in the first three months of the financial year 2004/2005—an increase of 66%, compared to the same period last year. This increase was due to the deficit of goods at the end of the summer of 2003, conditioned by the company's relocation, as well as the addition of flour confectionery products in the company's product portfolio.

The home market constituted 86% of the total sales of chocolate confectionery and sugar confectionery products; 14% of the sales were exported. In the given period, the Baltic States remained the company's main export targets. In addition to the above countries, Kalev Ltd also exported its products to the Scandinavian countries, Russia and the United States. Virtually no flour confectionery products were exported in the given period.

In the first three months of the financial year 2004/2005, Kalev Ltd's subsidiary AS Kalev Paide Tootmine sold a total of nearly 3,900 tons of dairy products, including skim milk and milk powder, highly pasteurised milk and butter. 40% of the above products were sold at the home market, and 60% were exported. The main export targets for dairy products mostly included EU member states.

Economic activities and financial results

The consolidated net sales of Kalev Ltd for the financial year 2004/2005 amounted to 174.9 million kroons (i.e. 11.2 million euros)—a 2.5-time increase, compared to the same period last year. In the given period, the company earned 52 thousand kroons (3.3 thousand euros) in consolidated net profit, compared to the 15.9-million-kroon (i.e. 1.0-million-euro) net loss in the first three months of the financial year 2003/2004.

Increase in the consolidated net sales of Kalev Ltd was facilitated by the incorporation of two new subsidiaries – AS Kalev Jõhvi Tootmine (formerly known as AS Järle) and AS Vilma – in the Kalev Group at the beginning of 2004 and in July 2004, respectively, as well as the turnover increase of the subsidiaries AS Kalev Paide Tootmine and AS Kalev Real Estate Company (AS Kalev REC) in the given period.

The turnover increase in the first three months of the financial year 2004/2005, compared to the same period last year can also be explained by the deficit of chocolate confectionery goods at the end of the summer of 2003, conditioned by the company's relocation to a new production complex.

The consolidated net profit of Kalev Ltd in the first three months of the financial year 2004/2005 corresponded to the estimations. This period is the most modest period of the year, businesswise. The net loss for the first three months of the previous financial year was generated by single expenses related to the relocation and assembly of the company's production equipment, as well as launch of production.

The 71% increase in the company's marketing expenses in the given period, compared to the same period last year, was due to incorporation of new subsidiaries in the Kalev Group. The 24% decrease in general and administrative expenses is conditioned by the company's relocation to a new production complex this year—the administrative and general expenses in the first three months of the financial year 2003/2004 included single relocation expenses.

In the first three months of the financial year 2004/2005, Kalev Group employed an average of 827 people – a 66% increase, compared to the same period last year. This increase was mainly due to incorporation of the employees of the subsidiaries AS Kalev Jõhvi Tootmine, AS Vilma and OÜ Maiasmokk among the group staff.

2. INTERIM FINANCIAL STATEMENTS

2.1. Declaration of the Chairman

According to the the Chairman of the Management Board of AS Kalev, the consolidated interim report of Kalev Ltd, set out on pages 6-21, gives a fair and true view of the company's financial results in the first three months, in accordance with the principle of going concern. This interim report has not been audited or otherwise examined by auditors.

Põrguvälja, 30 November 2004

A handwritten signature in black ink, appearing to read 'Kruuda', with a large, stylized initial 'K'.

Oliver Kruuda
The Chairman

2.2. BALANCE SHEET

ASSETS	Note	30.09.2004	30.06.2004	30.09.2004	30.06.2004
		Consolidated	Consolidated	Consolidated	Consolidated
CURRENT ASSETS	No	EEK	EEK	EUR	EUR
CASH AND BANK	1	6 157 229	2 780 382	393 519	177 699
CUSTOMER RECEIVABLES		96 691 501	206 221 734	6 179 713	13 179 971
PREPAID EXPENSES		8 115 598	3 024 730	518 681	193 315
INVENTORIES		130 563 662	85 073 277	8 344 539	5 437 173
TOTAL CURRENT ASSETS		241 527 990	297 100 123	15 436 452	18 988 159

NON-CURRENT ASSETS

LONG-TERM FINANCIAL INVESTMENTS		330 180	330 180	21 102	21 102
MISCELLANEOUS LONG-TERM RECEIVABLES		330 180	330 180	21 102	21 102
TANGIBLE ASSETS	3	379 842 193	351 168 558	24 276 341	22 443 761
REAL ESTATE INVESTMENTS	4	62 214 132	58 054 766	3 976 208	3 710 376
INTANGIBLE ASSETS	5	6 485 441	-9 017 055	414 495	-576 295
TOTAL NON-CURRENT ASSETS		448 871 946	400 536 449	28 688 146	25 598 945

TOTAL ASSETS		690 399 936	697 636 572	44 124 598	44 587 103
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LIABILITIES AND OWNER' EQUITY

LIABILITIES

CURRENT LIABILITIES	6	64 083 647	109 628 402	4 095 692	7 006 532
PREPAYMENTS FROM CUSTOMERS		6 980 784	3 416 983	446 153	218 385
SUPPLIER PAYABLES		169 357 272	165 615 804	10 823 902	10 584 779
TAXES PAYABLE		0	527 594	0	33 719
OTHER PAYABLES		34 896 887	37 145 927	2 230 318	2 374 057
TOTAL CURRENT LIABILITIES		275 318 590	316 334 710	17 596 065	20 217 473

NON-CURRENT LIABILITIES	4	143 286 653	123 323 114	9 157 686	7 881 784
TOTAL NON-CURRENT LIABILITIES		143 286 653	123 323 114	9 157 686	7 881 784
TOTAL LIABILITIES		418 605 243	439 657 824	26 753 751	28 099 256

OWNER'S EQUITY

SHARE CAPITAL		78 775 000	78 775 000	5 034 640	5 034 640
REVALUATION RESERVE		17 159 388	17 159 388	1 096 685	1 096 685
STATUTORY LEGAL RESERVE		3 160 971	3 160 971	202 023	202 023
RETAINED EARNINGS		168 640 869	141 514 656	10 778 116	9 044 435
NET PROFIT FOR THE FINANCIAL YEAR		52 006	17 184 663	3 324	1 098 300
MINORITY INTEREST		4 006 459	184 070	256 059	11 764
TOTAL OWNER'S EQUITY		267 788 234	257 794 678	17 114 787	16 476 083
TOTAL LIABILITIES AND EQUITY		690 399 936	697 636 572	44 124 598	44 587 103

2.3. INCOME STATEMENT

	Note	01.07.2004-30.09.2004	01.07.2003-30.09.2003	01.07.2004-30.09.2004	01.07.2003-30.09.2003
	No	Consolidated EEK	Consolidated EEK	Consolidated EUR	Consolidated EUR
NET SALES	8	174 907 870	70 319 933	11 178 650	4 494 263
COST OF GOODS SOLD		133 267 510	49 483 080	8 517 346	3 162 545
GROSS PROFIT		41 640 360	20 836 853	2 661 304	1 331 718
MARKETING EXPENSES		18 515 689	10 831 890	1 183 368	692 284
ADMINISTRATIVE AND GENERAL EXPENSES		18 311 201	24 101 438	1 170 299	1 540 363
OTHER OPERATING INCOME		1 538 850	1 128 826	98 350	72 145
OTHER OPERATING EXPENSES		2 618 328	1 074 764	167 342	68 690
OPERATING PROFIT		3 733 992	-14 042 413	238 646	-897 474
FINANCIAL INCOME		176 261	274 905	11 265	17 570
FINANCIAL EXPENSES		3 540 856	2 112 414	226 302	135 008
PROFIT BEFORE INCOME TAX		369 396	-15 879 922	23 609	-1 014 912
MINORITY INTEREST		-317 390	0	-20 285	0
NET PROFIT		52 006	-15 879 922	3 324	-1 014 912
EARNINGS PER SHARE		0,01	-2,02	0,00	-0,13

2.4. CASH FLOW STATEMENT

	Note	01.07.2004-30.09.2004	01.07.2003-30.09.2003	01.07.2004-30.09.2004	01.07.2003-30.09.2003
		Consolidated	Consolidated	Consolidated	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES	No	EEK	EEK	EUR	EUR
OPERATING PROFIT		3 733 992	-14 042 413	238 646	-897 474
DEPRECIATION OF TANGIBLE ASSETS	3	4 593 192	3 461 250	293 558	221 214
DEPRECIATION OF INTANGIBLE ASSETS	5	18 591	18 166	1 188	1 161
PROFIT (LOSS) FROM SALES OF NON-CURRENT ASSETS		-808 246	-1 089 878	-51 656	-69 656
CHANGE IN RECEIVABLES		100 648 950	-1 609 178	6 432 640	-102 845
CHANGE IN INVENTORIES		-45 490 385	3 676 877	-2 907 365	234 995
CHANGE IN LIABILITIES		3 213 874	7 132 743	205 404	455 865
INTEREST PAID		-5 375 854	-2 051 984	-343 580	-131 146
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		60 534 114	-4 504 417	3 868 835	-287 885

CASH FLOWS FROM INVESTING ACTIVITIES

PURCHASE OF SHARES OF SUBSIDIARIES		-7 496 466	-400 000	-479 112	-25 565
SALES OF NON-CURRENT ASSETS AT SALES PRICE		7 341 712	9 758 011	469 221	623 651
PURCHASE OF FIXED ASSETS		-12 738 812	-12 766 530	-814 158	-815 930
CHANGE IN LOANS GRANTED					
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		-12 893 566	-3 408 519	-824 049	-217 844

CASH FLOWS FROM FINANCING ACTIVITIES

LOAN REPAYMENTS					
LOANS RECEIVED			69 464 654		4 439 601
OVERDRAFT USED		-15 542 747	4 902 808	-993 363	313 347
CHANGE IN SHORT-TERM LOANS		-23 550 787	-3 200 000	-1 505 170	-204 517
LEASE PAYMENTS		-5 157 423	-14 274 326	-329 619	-912 296
CHANGE IN LONG-TERM PAYABLES			-1 600 000		-102 259
DIVIDENDS PAID					
OTHER FINANCING INCOME/EXPENSES					
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		-44 250 957	55 293 136	-2 828 152	3 533 875

CHANGE IN CASH AND CASH EQUIVALENTS		3 389 591	47 380 200	216 634	3 028 147
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CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2 780 382	8 591 080	177 698	549 069
CHANGE IN CASH AND CASH EQUIVALENTS		3 389 591	47 379 472	216 634	3 028 100
CHANGE IN CURRENCY EXCHANGE RATE		-12 744	223 552	-814	14 288
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1	6 157 229	56 194 104	393 518	3 591 456

2.5. STATEMEN OF CHANGES IN EQUITY

EEK	Note nr	SHARE CAPITAL	REVALUATION RESERVE	STATUTORY LEGAL RESERVE	RETAINED EARNINGS	PROFIT FOR THE FINANCIAL YEAR	TOTAL
Consolidated							
1. JULY 2003		78 775 000	17 159 388	1 537 837	143 137 790		240 610 015
DISTRIBUTION OF PROFIT GOODWILL NET PROFIT FOR FINANCIAL YEAR						-15 879 922	-15 879 922
30. SEPTEMBER 2003		78 775 000	17 159 388	1 537 837	143 137 790	-15 879 922	224 730 093
Consolidated							
1. JUULI 2004		78 775 000	17 159 388	3 160 971	141 514 656	17 184 663	257 794 678
DISTRIBUTION OF PROFIT GOODWILL NET PROFIT FOR FINANCIAL YEAR					17 184 663	-17 184 663 9 941 550 52 006	0 9 941 550 52 006
30. SEPTEMBER 2004		78 775 000	17 159 388	3 160 971	158 699 319	9 993 556	267 788 234

EUR							
Consolidated							
1. JULY 2003		5 034 640	1 096 685	98 286	9 148 172		15 377 783
DISTRIBUTION OF PROFIT GOODWILL NET PROFIT FOR FINANCIAL YEAR						-1 014 912	-1 014 912
30. SEPTEMBER 2003		5 034 640	1 096 685	98 286	9 148 172	-1 014 912	14 362 871
Consolidated							
1. JULY 2004		5 034 640	1 096 685	202 023	9 044 435	1 098 300	16 476 083
DISTRIBUTION OF PROFIT GOODWILL NET PROFIT FOR FINANCIAL YEAR					1 098 300	-1 098 300 635 381 3 324	0 635 381 3 324
30. SEPTEMBER 2004		5 034 640	1 096 685	202 023	10 142 735	638 705	17 114 787

3. ACCOUNTING PRINCIPLES AND BASIS OF ESTIMATIONS

The Estonian kroon serves as the underlying currency of the group and the parent company. For reader convenience, the financial indicators of this report have also been presented in euros in accordance with the rules and requirements of the Tallinn Stock Exchange, converted from indicators originally denominated in Estonian kroons. No differences will occur in the currency exchange rates upon recalculation of financial indicators from Estonian kroons to euros, since the exchange rate of the Estonian kroon and the euro has been fixed (EUR 1 = EEK 15.6466). Unless otherwise stated, the financial indicators have been rounded up to the nearest whole number.

The following accounting principles have been used in the preparation of this interim report.

Basis of preparation

The consolidated interim financial statements of the Group have been prepared in accordance with the International Accounting Standards (IAS).

The interim financial statements have been prepared in accordance with the generally accepted accounting principles, which require evaluation of the process of accounting for various assets, liabilities, income and expenditure.

The Estonian kroon serves as the underlying currency of the group and the parent company. For reader convenience, the financial indicators of this report have also been presented in euros in accordance with the rules and requirements of the Tallinn Stock Exchange, converted from indicators originally denominated in Estonian kroons. No differences will occur in the currency exchange rates upon recalculation of financial indicators from Estonian kroons to euros, since the exchange rate of the Estonian kroon and the euro has been fixed (EUR 1 = EEK 15.6466). Unless otherwise stated, the financial indicators have been rounded up to the nearest whole number.

According to the management of the company, Kalev Ltd's consolidated interim report for the first 3 months of the financial year 2004/2005 gives a true and fair view of the economic activities of the Group in accordance with the principle of going concern.

Income statement formats

The balance sheet and income statement of the Group have been prepared in accordance with the format provided in the IAS, which corresponds to the Accounting Act of the Republic of Estonia. In order to improve the general overview, some entries have been consolidated. Detailed information on the entries has been laid down in the notes to the interim report.

Background information on the company and consolidation principle

The principal fields of activity of the Group include the manufacturing, wholesale, retail, export and import of all types of confectionery products (including the production of semi-finished goods) as well as development, administration, rental, purchase and sales of real estate, and manufacturing of foodstuffs.

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

Subsidiaries (except for subsidiaries that have been purchased for resale, and are accounted for in fair value) – i.e. companies, where the parent company holds 50% of voting shares or which activities or financial policies can be controlled by the Group through other means – have been fully consolidated.

Subsidiaries are consolidated from the day of their acquisition until the day they are sold, or until the Group waives control over the particular subsidiary. All intra-group receivables and payables, as well as unrealised profit and loss arising from transactions between the Group companies (unless this can be covered) have been eliminated from the consolidated financial statements.

As at 3 September 2003, Kalev Ltd has an interest in the following companies:

1. AS Kalev Paide Tootmine (with 100% of the share capital held by Kalev Ltd);
2. AS Kalev Jõhvi Tootmine (with 99.1% of the share capital held by Kalev Ltd);
3. *AS Kalev Real Estate Company (AS Kalev REC) (with 59.3% of the share capital held by Kalev Ltd);
4. OÜ Maiasmokk (with 81,26% of the share capital held by Kalev Ltd);
5. AS Vilma (with 60.68% of the share capital held by Kalev Ltd);
6. Kalev Merchant Services Ltd (with 100% of the share capital held by Kalev Ltd).

*Pursuant to the shareholder's agreement concluded between AS Skanska EMV and Kalev Ltd AS Skanska EMV has the right to sell, and Kalev Ltd to purchase, all shares of AS Kalev Real Estate Company held by AS Skanska EMV. The above subsidiary has thus been consolidated in the consolidated balance sheet as if Kalev Ltd held 100% of its shares, whereas the obligation to purchase the shares has been accounted for as a current liability.

4. NOTES TO THE INTERIM REPORT

1. Customer receivables

Decrease in the balance sheet entry “Customer receivables” is conditioned by the reception of 93,621,414 kroons for the receivable related to raw materials, and 15,000,000 kroons (i.e. 958,672 euros) of the claim related to the waiver from the right of repurchase of the legal share (18,070/52,410) of the Pärnu mnt 139 real estate.

2. Inventories

In connection with the launch of Christmas production, the Group’s raw material inventories have increased by 40,221,125 kroons (i.e. 2,570,598 euros) and semi-finished goods inventories by 4,922,609 kroons (i.e. 314,612 euros).

3. Tangible assets

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction in progress	TOTAL
EEK						
Tangible assets 01.07.04						
Acquisition cost	30 089 905	268 293 490	123 101 372	13 773 843	4 810 356	440 068 966
Accumulated depreciation		-24 262 251	-54 647 896	-9 755 429	-234 833	-88 900 408
Net book value 01.07.04	30 089 905	244 031 239	68 453 476	4 018 414	4 575 523	351 168 557
Transactions of the period						
Acquisition	114 126	22 364 579	13 774 743	5 534 588	1 640 259	43 428 295
incl. by merger	114 126	16 714 526	9 865 727	5 496 421	10 080	32 200 880
Depreciation charge		-1 206 971	-2 974 999	-411 222		-4 593 192
Depreciation of sold non-current assets		3 329 624	1 042 327	660 174		5 032 125
Sales	-15 225	-3 402 529	-1 003 990	-707 596		-5 129 340
Total transactions	98 901	14 425 455	8 753 427	3 755 596	1 640 259	28 673 638
Acquisition cost 30.09.04	30 188 806	287 255 540	135 872 125	18 600 835	6 450 615	478 367 921
Depreciation charge		-28 798 846	-58 665 222	-10 826 825	-234 833	-98 525 726
Net book value 30.09.04	30 188 806	258 456 694	77 206 903	7 774 010	6 215 782	379 842 195

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction in progress	TOTAL
EUR						
Tangible assets 01.07.04						
Acquisition cost	1 923 095	17 147 079	7 867 612	880 309	307 438	28 125 533
Accumulated depreciation		-1 550 640	-3 492 637	-623 486	-15 009	-5 681 772
Net book value 01.07.04	1 923 095	15 596 439	4 374 974	256 823	292 429	22 443 761
Transactions of the period						
Acquisition	7 294	1 429 357	880 367	353 725	104 832	2 775 574
incl. by merger	7 294	1 068 253	630 535	351 285	644	2 058 011
Depreciation charge		-77 140	-190 137	-26 282		-293 558
Depreciation of sold non-current assets		212 802	66 617	42 193		321 611
Sales	-973	-217 461	-64 167	-45 224		-327 825
Total transactions	6 321	921 955	559 446	240 026	104 832	1 832 579
Acquisition costs 30.09.04	1 929 416	18 358 975	8 683 811	1 188 810	412 269	30 573 282
Depreciation charge		-1 840 582	-3 749 391	-691 960	-15 009	-6 296 942
Net book value 30.09.04	1 929 416	16 518 393	4 934 420	496 850	397 261	24 276 341

Non-current assets were mainly acquired by way of merger in the given period (AS Vilma).

4. Real estate investments

	Consolidated		
	Land	Buildings	TOTAL
EEK			
01.07.2004			
Value 01.07.2004	35 653 096	22 401 670	58 054 766
Sales	7 400 907	0	7 400 907
Purchase	0	11 560 273	11 560 273
Value 30.09.2004	28 252 189	33 961 943	62 214 132

EUR			
01.07.2004			
Value 01.07.2004	2 278 648	1 431 728	3 710 376
Sales	473 004	0	473 004
Purchase	0	738 836	738 836
Value 30.09.2004	1 805 644	2 170 564	3 976 208

AS Kalev REC acquired the right of superficies in Rakvere for 10,000,000 kroons (i.e. 639,166 euros) and in Tartu for 1,535,835 kroons (i.e. 98,158 euros).

5. Intangible assets

		Consolidated	
	Assets	*Goodwill	TOTAL
EEK			
Intangible assets 01.07.2004			
Acquisition cost	359 155	-9 170 181	-8 811 026
Accumulated depreciation	-206 029		-206 029
Net book value 01.07.2004	153 126	-9 170 181	-9 017 055
Transactions of the period			
Acquisition		5 579 537	5 579 537
Depreciation charge	-18 591		-18 591
Reclassification		9 941 550	
Total transactions	-18 591	6 350 906	6 332 315
Acquisition cost	359 155	6 350 906	6 710 061
Depreciation charge	-224 620		-224 620
Net book value 30.09.2004	134 535	6 350 906	6 485 441

EUR			
Intangible assets 01.07.2004			
Acquisition cost	22 954	-586 081	-563 127
Accumulated depreciation	-13 168		-13 168
Net book value 01.07.2004	9 787	-586 081	-576 295
Transactions of the period			
Acquisition		356 597	356 597
Depreciation charge	-1 188		-1 188
Reclassification		635 381	
Total transactions	-1 188	405 897	404 709
Acquisition cost	22 954	405 897	428 851
Depreciation charge	-14 356		-14 356
Net book value 30.09.2004	8 598	405 897	414 495

Goodwill was generated upon the acquisition of 99.1% of the shares of AS Kalev Jõhvi Tootmine (formerly known as AS Järle), 81.26% of the shares of OÜ Maiasmokk and 60.6746% of the shares of AS Vilma.

6. Debt obligations

	Consolidated	Consolidated	Consolidated	Consolidated
	30.09.2004	30.06.2004	30.09.2004	30.06.2004
	EEK	EEK	EUR	EUR
Debt obligations	12 814 435	45 632 133	818 992	2 916 425
Overdraft	28 933 646	44 479 396	1 849 197	2 842 752
Finance lease liabilities	11 190 758	14 650 268	715 220	936 323
Other short-term liabilities	11 144 808	4 866 604	712 283	311 033
Total debt obligations	64 083 647	109 628 402	4 095 692	7 006 532
Long-term finance lease liabilities	103 199 190	102 237 951	6 595 630	6 534 196
Other long-term liabilities	16 278 613	13 886 249	1 040 393	887 493
Long-term loans	23 808 850	7 198 915	1 521 663	460 094
Total long-term liabilities	143 286 653	123 323 114	9 157 686	7 881 784

Short-term and long-term liabilities have increase with the addition of the liabilities of subsidiaries.

7. Share capital

	Consolidated	Consolidated	Consolidated	Consolidated
	30.09.2004	30.06.2004	30.09.2004	30.06.2004
	EEK	EEK	EUR	EUR
Number of common shares	7 877 500	7 877 500	7 877 500	7 877 500
Nominal value	10	10	0,64	0,64

According to the Articles of Association, the company's share capital may consist of a maximum of 31,510, 000 shares with nominal value of 10 kroons (i.e. 0.64 euros).

8. Accounting for segments

Segments are clearly divided into confectionery, flour confectionery, dairy product and real-estate related activities, viewed in segments.

Sales by fields of activity

	Consolidated	Consolidated	Consolidated	Consolidated
	01.07.2004-30.09.2004	01.07.2003-30.09.2003	01.07.2004-30.09.2004	01.07.2003-30.09.2003
	EEK	EEK	EUR	EUR
Confectionery products	68 771 268	56 100 838	4 395 285	3 585 497
Baked goods	12 493 458	0	798 477	0
Biscuits	4 347 701	0	277 869	0
Dairy products	79 403 057	0	5 074 780	0
Rental income from real estate investments	2 187 911	10 649 493	139 833	680 627
Other sales	7 704 475	3 569 602	492 406	228 139
TOTAL	174 907 870	70 319 933	11 178 650	4 494 263

Sales by markets

	Consolidated	Consolidated	Consolidated	Consolidated
	01.07.2004-30.09.2004	01.07.2003-30.09.2003	01.07.2004-30.09.2004	01.07.2003-30.09.2003
	EEK	EEK	EUR	EUR
Estonia	95 449 821	59 162 546	6 100 355	3 781 176
Eastern Europe	995 652	5 953 233	63 634	380 481
Baltic States	4 590 696	3 456 242	293 399	220 894
Scandinavia	8 736 043	1 351 867	558 335	86 400
Other countries	65 135 658	396 045	4 162 927	25 312
TOTAL	174 907 870	70 319 933	11 178 650	4 494 263

9. Personnel expenses

In the period between 1 July 2004 and 30 September 2004, a total of 8 employees were laid off. Redundancy payments amounted to a total of 728,378 kroons (i.e. 46,522 euros).

10.Earnings per share

	Consolidated	Consolidated	Consolidated	Consolidated
	30.09.2004	30.06.2004	30.09.2004	30.06.2004
	EEK	EEK	EUR	EUR
Net profit	52 006	-15 879 922	3 324	-1 014 912
Weighed average number of shares during the period	7 877 500	7 877 500	7 877 500	7 877 500
Earnings per share (EPS)	0,01	-2,02	0,00	-0,13

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

11. Transactions with related parties

Transactions with companies related to the Kalev Ltd Manager and Supervisory Board members

	Services	Goods	Balance 30.09.2004	Balance 30.06.2004
EEK				
Purchased goods and services				
From Tööstuse Teenindamise AS	11 298 941		2 355 561	918 528
From Tallinna Piimatööstuse AS		21 268 447	120 884	355 671
Other purchases	291 342	15 341	51 663	282 064
Payables at the beginning of the period	1 113 936	442 327		1 556 263
Payables at the end of the period	2 370 075	158 033	2 528 108	
Goods and services sold to companies related to the Manager				
Sold goods and services				
Tallinna Piimatööstus		51 504 481	22 625 318	20 982 003
Other sales	291 108	772 286	3 420 781	2 934 595
Receivables at the beginning of the period	1 847 998	22 068 600		23 916 598
Receivables at the end of the period	2 103 901	23 942 198	26 046 099	

	Services	Goods	Balance 30.09.2004	Balance 30.06.2004
EUR				
Purchased goods and services				
From Tööstuse Teenindamise AS	722 134		150 548	58 705
From Tallinna Piimatööstuse AS		1 359 302	7 726	22 732
Other purchases	18 620	980	3 302	18 027
Payables at the beginning of the period	71 193	28 270		99 463
Payables at the end of the period	151 475	10 100	161 576	
Goods and services sold to companies related to the Manager				
Sold goods and services				
Tallinna Piimatööstus		3 291 736	1 446 021	1 340 994
Other sales	18 605	49 358	218 628	187 555
Receivables at the beginning of the period	118 109	1 410 441		1 528 549
Receivables at the end of the period	134 464	1 530 185	1 664 649	

The company has sold raw milk and dairy products to Tallinna Piimatööstuse AS.

The group has concluded an equipment maintenance agreement with Tööstuse Teenindamise AS.

The Group has supported non-profit associations related to the Manager of Kalev Ltd in the amount of 414,120 kroons (i.e. 26,467 euros), compared to the 328,000 kroons (i.e. 20,963 euros) in the comparative period.

According to the management of the company, the prices used for transactions with the above related parties do not significantly differ from the market prices.