



## **AS Kalev**

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## **6 MONTHS INTERIM REPORT**

**Beginning of the period 1.07.2004**

**End of the period 31.12.2004**

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 first 6 months of the financial year 2004/2005, compared to the same period in the financial year 2003/2004:

- Increase in revenue: 2.4 times (254 million kroons – i.e. 16,2 million euros);
- Increase in confectionery product revenue: 1.1 times (11 million kroons – i.e. 0.7 million euros);
- Increase in export revenue: 5.6 times (135 million kroons – i.e. 8.6 million euros);
- Increase in revenue per employee: 1.8 times (0.3 million kroons – i.e. 18 thousand euros);
- Increase in confectionery products sold (chocolate and sugar confectionery products, baked goods, biscuits): 2.2 times (4,035 tons);
- Dairy products sold: 7,728 tons (179 million kroons – i.e. 11.4 million euros);
- Increase in net profit: 14 million kroons - i.e. 0.9 million euros;
- Changes in the group structure.

### Group structure

The financial indicators of Kalev Ltd and its subsidiaries have been consolidated line by line in this 6-month interim report.

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

Name of subsidiary	Location	Share as of 31.12.2004
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.

On 7 December 2004, AS Kalev REC and United Real Estate OÜ (URE OÜ) concluded a contract on the free-of-charge transfer of a share in the private limited company Sõbra Korterid OÜ. Pursuant to the contract, URE OÜ transferred to AS Kalev REC a 20-thousand-kroon share—i.e. 50% of the share capital—of the private limited company.

Sõbra Korterid OÜ's main field of activity is real estate development and administration.

AS Kalev REC acquired the share in Sõbra Korterid OÜ with the aim of pursuing real estate development on the housing market. The private limited company plans to construct two new apartment buildings on the real estate located at Kastani 183a and 183b in Tartu.

In the given period, Kalev Ltd prematurely repaid to Skanska EMV AS the balance due for the acquisition of 40.7% of the shares of AS Kalev Real Estate Company (AS Kalev REC) – i.e. 16,950,000 kroons.

Pursuant to the shareholder's agreement concluded between Skanska EMV AS and Kalev Ltd on 3 May 2002, Kalev Ltd had the right to acquire the 40.7% of the shares of AS Kalev REC held by Skanska EMV AS. Kalev Ltd paid a total of 25.2 million kroons for the acquired shares.

On 6 January 2005, Skanska EMV AS transferred 40.7% of the shares of AS Kalev REC to the securities account of Kalev Ltd, thus making Kalev Ltd the full owner of the company.

### **Product sales**

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

This year's Christmas collection consisted of 50 products. New Christmas products launched by the company included a collection of classics—various pralines and handmade boxed chocolate—as well as chocolate bars. For the first time in the company's history, Kalev Ltd launched a series of products designed especially for young customers. The assortment of gingerbread was significantly enhanced, compared to the last financial year.

Other new products launched by Kalev Ltd in the given period included chocolate-coated cocoa-flavoured pralines, boxed chocolate *Athena* and *Toompea* 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% in October and November 2004, as regards chocolate confectionery and sugar confectionery products. In the biscuit sector, the company's market share was 17% in the same period.

Kalev Group's total confectionery and dairy product sales amounted to over 15,300 tons in the first six months of the financial year 2004/2005. 67% was sold at the home market; 33% was exported.

Kalev Group sold a total of over 3,500 tons of confectionery products (incl. chocolate and sugar confectionery products) in the given period—an increase of 7%, compared to the same period last year. The home market constituted 86% of the total sales of confectionery products; 14% of the sales were exported. In the given period, the Baltic States remained the

main export targets. In addition to the above countries, the company also exported its products to the Scandinavian countries, Russia and the United States.

Kalev Group's total flour baked goods (incl. bakery products and biscuits) sales amounted to over 4,000 tons in the first six months of the financial year 2004/2005. Most of the production was sold at the home market. In the comparative period, the company was not actively involved in the baked goods sector.

Kalev Group sold over 7,700 tons of dairy products (incl. skim milk and milk powder, highly pasteurised milk and butter) in the given period. No dairy products were sold in the comparative period. Over half (i.e. 60%) of the sales volume was exported to various EU countries.

### **Economic activities and financial results**

The consolidated net sales of Kalev Ltd for the first six months of the financial year 2004/2005 amounted to 440 million kroons (i.e. 28.1 million euros)—a 2.4-time increase, compared to the same period last year. In the given period, the company earned 7.2 million kroons (458 thousand euros) in consolidated net profit, compared to the 6.9-million-kroon (i.e. 441-thousand-euro) net loss in the first six 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 six 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 six months of the financial year 2004/2005 corresponded to the estimations. The net loss for the first six 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 54.3% increase in marketing expenses, 16.7% increase in general and administrative expenses and 52.8% increase in financial expenses in the given period, compared to the same period last year, was, above all, due to incorporation of new subsidiaries in the Kalev Group.

The 3.6-fold increase in revenue in the given period includes proceeds from sales of non-current assets—i.e. the parts of real estate located at Pärnu mnt 139.

In the first six months of the financial year 2004/2005, Kalev Group employed an average of 816 people—a 57.8% 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 Chairman**

According to the the Chairman of the Management Board of AS Kalev, the consolidated interim report of Kalev Ltd, set out on pages 6-26, gives a fair and true view of the company's financial results in the first six months, in accordance with the principle of going concern. This interim report has not been audited or otherwise examined by auditors.

Põrguvälja, 16 February 2005

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

Oliver Kruuda  
Chairman

## 2.2. Balance sheet

ASSETS	Note	31.12.2004	31.12.2003	31.12.2004	31.12.2003
	No	Consolidated	Consolidated	Consolidated	Consolidated
CURRENT ASSETS		EEK	EEK	EUR	EUR
CASH AND BANK		7 112 506	2 302 417	454 572	147 151
CUSTOMER RECEIVABLES		108 844 653	48 691 971	6 956 441	3 111 976
PREPAID EXPENSES		6 294 830	5 985 730	402 313	382 557
INVENTORIES		117 858 692	51 693 973	7 532 543	3 303 839
<b>TOTAL CURRENT ASSETS</b>		<b>240 110 681</b>	<b>108 674 091</b>	<b>15 345 869</b>	<b>6 945 523</b>
<b>NON-CURRENT ASSETS</b>					
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	1	362 505 799	351 011 366	23 168 343	22 433 658
REAL ESTATE INVESTMENTS	2	47 123 848	111 529 095	3 011 763	7 127 990
INTANGIBLE ASSETS	3	6 599 903	-11 566 965	421 811	-739 262
<b>TOTAL NON-CURRENT ASSETS</b>		<b>416 559 730</b>	<b>451 303 676</b>	<b>26 623 019</b>	<b>28 843 488</b>
<b>TOTAL ASSETS</b>		<b>656 670 411</b>	<b>559 977 767</b>	<b>41 968 889</b>	<b>35 789 011</b>
<b>LIABILITIES AND OWNER' EQUITY</b>					
<b>LIABILITIES</b>					
CURRENT LIABILITIES	4	77 351 460	30 540 625	4 943 659	1 951 897
PREPAYMENTS FROM CUSTOMERS		2 236 883	12 571 538	142 963	803 466
SUPPLIER PAYABLES		141 637 360	75 737 808	9 052 277	4 840 516
TAXES PAYABLE		8 715 089	7 901 996	556 996	505 028
OTHER PAYABLES		9 983 872	10 712 720	638 086	684 666
<b>TOTAL CURRENT LIABILITIES</b>		<b>239 924 664</b>	<b>137 464 687</b>	<b>15 333 981</b>	<b>8 785 572</b>
NON-CURRENT LIABILITIES	4	137 036 126	188 793 399	8 758 206	12 066 067
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>137 036 126</b>	<b>188 793 399</b>	<b>8 756 206</b>	<b>12 066 067</b>
<b>TOTAL LIABILITIES</b>		<b>376 960 790</b>	<b>326 258 086</b>	<b>24 092 186</b>	<b>20 851 639</b>
<b>OWNER'S EQUITY</b>					
SHARE CAPITAL		236 325 000	78 775 000	15 103 920	5 034 627
REVALUATION RESERVE		17 159 388	17 159 388	1 096 685	1 096 682
STATUTORY LEGAL RESERVE		4 020 204	1 537 837	635 381	98 285
RETAINED EARNINGS		10 231 636	143 137 790	275 478	9 148 149
NET PROFIT FOR THE FINANCIAL YEAR		7 165 977	-6 899 334	457 989	-440 947
<b>MINORITY INTEREST</b>		<b>4 807 416</b>	<b>9 000</b>	<b>307 250</b>	<b>575</b>
<b>TOTAL OWNER'S EQUITY</b>		<b>279 709 621</b>	<b>233 719 681</b>	<b>17 876 703</b>	<b>14 937 371</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>656 670 411</b>	<b>559 977 767</b>	<b>41 968 889</b>	<b>35 789 011</b>

## 2.3. Income Statement

	Lisa nr	01.07.2004-31.12.004 Consolidated EEK	01.07.2003-31.12.2003 Consolidated EEK	01.07.2004-31.12.004 Consolidated EUR	01.07.2003-31.12.2003 Consolidated EUR
NET SALES	6	440 058 966	186 163 185	28 124 894	11 897 996
COST OF GOODS SOLD		341 163 185	122 223 762	21 804 302	7 811 522
<b>GROSS PROFIT</b>		<b>98 895 781</b>	<b>63 939 423</b>	<b>6 320 592</b>	<b>4 086 474</b>
MARKETING EXPENSES		44 566 496	28 921 107	2 848 318	1 848 396
ADMINISTRATIVE AND GENERAL EXPENSES		41 226 101	35 339 804	2 634 828	2 258 625
OTHER OPERATING INCOME		6 058 287	1 689 521	387 195	107 980
OTHER OPERATING EXPENSES		3 510 571	3 567 809	224 366	228 025
<b>OPERATING PROFIT</b>		<b>15 650 900</b>	<b>-2 199 776</b>	<b>1 000 275</b>	<b>-140 591</b>
FINANCIAL INCOME		434 403	585 377	27 763	37 412
FINANCIAL EXPENSES		8 091 332	5 284 935	517 130	337 769
<b>PROFIT BEFORE INCOME TAX</b>		<b>7 993 971</b>	<b>-6 899 334</b>	<b>510 908</b>	<b>-440 948</b>
MINORITY INTEREST		-827 994		-52 918	
<b>NET PROFIT</b>		<b>7 165 977</b>	<b>-6 899 334</b>	<b>457 989</b>	<b>-440 948</b>
EARNINGS PER SHARE		0,3	-0,88	0,02	-0,06



	Note	01.10.2004-31.12..2004	01.10.2003-31.12.2003	01.10.2004-31.12..2004	01.10.2003-31.12.2003
	No	Consolidated	Consolidated	Consolidated	Consolidated
		EEK	EEK	EUR	EUR
NET SALES	6	265 151 096	115 843 252	16 946 244	7 403 733
COST OF GOODS SOLD		207 895 675	72 740 682	13 286 955	4 648 977
<b>GROSS PROFIT</b>		<b>57 255 421</b>	<b>43 102 570</b>	<b>3 659 288</b>	<b>2 754 756</b>
MARKETING EXPENSES		26 050 807	18 089 217	1 664 950	1 156 112
ADMINISTRATIVE AND GENERAL EXPENSES		22 914 900	11 238 366	1 464 529	718 262
OTHER OPERATING INCOME		4 519 437	560 695	288 845	35 835
OTHER OPERATING EXPENSES		892 243	2 493 045	57 025	159 335
<b>OPERATING PROFIT</b>		<b>11 916 908</b>	<b>11 842 637</b>	<b>761 629</b>	<b>756 882</b>
FINANCIAL INCOME		258 142	310 472	16 498	19 843
FINANCIAL EXPENSES		4 550 476	3 172 521	290 828	202 761
<b>PROFIT BEFORE INCOME TAX</b>		<b>7 624 575</b>	<b>8 980 588</b>	<b>487 299</b>	<b>573 964</b>
MINORITY INTEREST		-510 604		-32 634	
<b>NET PROFIT</b>		<b>7 113 971</b>	<b>8 980 588</b>	<b>454 666</b>	<b>573 964</b>
EARNINGS PER SHARE		0,45	1,14	0,03	0,07

## 2.4. Cash flow statement

	Note No.	Consolidated 01.07.2004-31.12.2004	Consolidated 01.07.2003-31.12.2003	Consolidated 01.07.2004-31.12.2004	Consolidated 01.07.2003-31.12.2003
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		EEK	EEK	EUR	EUR
OPERATING PROFIT		15 650 900	-2 199 766	1 000 275	-140 591
DEPRECIATION OF TANGIBLE ASSETS		12 005 869	7 780 353	756 523	497 254
DEPRECIATION OF INTANGIBLE ASSETS		37 182	36 332	13 168	2 322
PROCEEDS/LOSS FROM DISPOSALS OF NON-CURRENT ASSETS		5 444 288	-1 081 867	347 953	-69 144
CHANGE IN RECEIVABLES AND PREPAYMENTS RELATED TO OPERATING ACTIVITIES		99 197 849	41 366 147	6339 898	2 643 772
CHANGE IN INVENTORIES		-32 785 415	-10 967 036	-2 095 370	-700 920
CHANGE IN LIABILITIES AND PREPAYMENTS RELATED TO OPERATING ACTIVITIES		-26 712 178	38 787 056	-1 707 219	2 478 938
INTEREST PAID		-8 071 173	-5 200 381	-515 842	-332 364
<b>TOTAL CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>64 767 322</b>	<b>68 520 828</b>	<b>4 139 386</b>	<b>4 379 267</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
SUBSIDIARIES ACQUIRED		-20 698 233	-7 188 350	-1 322 858	-459 418
DISPOSALS OF NON-CURRENT ASSETS (AT SALES PRICE)		30 127 342	18 026 850	1925 488	1 152 123
NON-CURRENT ASSETS ACQUIRED		-16 109 974	-12 699 965	-1 029 615	-8 116 718
<b>TOTAL CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-6 680 865</b>	<b>-116 160 865</b>	<b>-426 985</b>	<b>-7 424 013</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
LOAN REPAYMENT		-500 065	-59 635 346	-31 960	-3 811 384
LOANS RECEIVED		2 561 759	137 700 000	163 726	8 800 612
OVERDRAFT USED		-1 060 810	4 183 686	-67 798	267 386
SHORT-TERM LOANS RECEIVED		-48 449 047		-3 096 458	
LEASE REPAYMENT		-6 040 387	-39 968 908	-386 051	-2 554 472
CHANGE IN LONG-TERM DEBT OBLIGATIONS			-1 600 000		-102 259
<b>TOTAL CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-53 488 550</b>	<b>40 679 432</b>	<b>-3 418 541</b>	<b>2 599 884</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>4 597 907</b>	<b>-6 960 605</b>	<b>293 860</b>	<b>-444 862</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>2 780 382</b>	<b>8 591 080</b>	<b>177 698</b>	<b>549 069</b>
CHANGE CHANGES IN CURRENCY EXCHANGE RATES		4 597 907	-6 960 605	293 860	-444 862
		-265 783	671 942	-16 987	42 944
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>7 112 506</b>	<b>2 302 417</b>	<b>454 572</b>	<b>147 151</b>

## 2.5. Statement of changes in equity

EEK	Note No.	SHARE CAPITAL	REVALUATION RESERVE	MANDATORY RESERVE	RETAINED EARNINGS	PROFIT FOR THE FINANCIAL YEAR	TOTAL
<b>Consolidated</b>							
<b>1 JULY 2003</b>		<b>78 775 000</b>	<b>17 159 388</b>	<b>1 537 837</b>	<b>143 137 790</b>		<b>240 610 015</b>
PROFIT ALLOCATION GOODWILL NET PROFIT FOR THE FINANCIAL YEAR						-6 899 334	-6 899 334
<b>31 DECEMBER 2003</b>		<b>78 775 000</b>	<b>17 159 388</b>	<b>1 537 837</b>	<b>143 137 790</b>	<b>-6 899 334</b>	<b>233 710 681</b>
<b>Consolidated</b>							
<b>1 JULY 2004</b>		<b>78 775 000</b>	<b>17 159 388</b>	<b>3 160 971</b>	<b>141 514 656</b>	<b>17 184 663</b>	<b>257 794 678</b>
PROFIT ALLOCATION GOODWILL NET PROFIT FOR THE FINANCIAL YEAR		157 550 000		859 233	-141 514 656	-16 894 577 9 941 550 7 165 977	0 9 941 550 7 165 977
<b>31 DECEMBER 2004</b>		<b>236 325 000</b>	<b>17 159 388</b>	<b>4 020 204</b>	<b>0</b>	<b>17 397 613</b>	<b>274 902 205</b>

EUR							
<b>Consolidated</b>							
<b>1 JULY 2003</b>		<b>5 034 640</b>	<b>1 096 685</b>	<b>98 286</b>	<b>9 148 172</b>		<b>15 377 783</b>
PROFIT ALLOCATION GOODWILL NET PROFIT FOR THE FINANCIAL YEAR						-440 947	-440 947
<b>31 DECEMBER 2003</b>		<b>5 034 640</b>	<b>1 096 685</b>	<b>98 286</b>	<b>9 148 172</b>	<b>-440 947</b>	<b>14 936 796</b>
<b>Consolidated</b>							
<b>1 JULY 2004</b>		<b>5 034 640</b>	<b>1 096 685</b>	<b>202 023</b>	<b>9 044 435</b>	<b>1 098 300</b>	<b>16 476 083</b>
PROFIT ALLOCATION GOODWILL NET PROFIT FOR THE FINANCIAL YEAR		10 069 280		54 915	-9 044 435	-1 079 760 635 381 457 989	0 635 381 457 989
<b>31 DECEMBER 2004</b>		<b>15 103 920</b>	<b>1 096 685</b>	<b>256 938</b>		<b>1 111 910</b>	<b>17 569 453</b>

Pursuant to the Resolution of the Ordinary General Meeting of the Shareholders of Kalev Ltd. From 24 November 2004, the share capital was increased by 157,550,000 kroons (10,069,280 euros) by transfer from owner's equity, without making any contributions (bonus issue). Share capital now amounts to 236,325,000 kroons (15,103,920 euros). The share capital increase was registered in the Commercial Register on 27 January 2005.

### **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.

According to the management of the company, Kalev Ltd's consolidated interim report for the first 6 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 31 December 2004, Kalev Ltd had 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. OÜ Maiasmokk (with 81,26% of the share capital held by Kalev Ltd);
4. AS Vilma (with 60.68% of the share capital held by Kalev Ltd);
5. Kalev Merchant Services Ltd (with 100% of the share capital held by Kalev Ltd).
6. AS Kalev Real Estate Company (AS Kalev REC) (with 100% of the share capital held by Kalev Ltd);

The subsidiary AS Kalev Real Estate Company holds 50% of the share capital of Sõbra Korterid OÜ.

### **Comparative data**

For the purposes of the interim financial statement, the Group's indicators have been compared with the indicators of the same period last financial year. The Group has incorporated three new subsidiaries. The consolidated balance sheet volume has increased by 17.3% - i.e. 100 million kroons. The aggregate turnover of the subsidiaries in the 1<sup>st</sup> half-year equals to the Group turnover in the comparative period.

## 4. NOTES TO THE CONSOLIDATED INTERIM REPORT

### 1. 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	29 467 645	18 343 973	6 148 422	11 286 740	65 310 850
incl. by merger	114 126	16 714 526	9 865 727	5 496 421	10 080	32 200 880
Depreciation charge		-4 231 366	-13 552 382	-3 831 440		-21 615 188
Sales	-7 879 324	-38 774 456	-1 091 825	-832 708	-660 000	-49 238 313
Total transactions	-7 765 198	1 586 456	4 626 884	2 262 360	10 626 740	11 337 242
Acquisition cost 31.12.04	22 324 707	258 986 679	140 303 464	19 089 557	15 437 096	456 141 503
Depreciation charge		-13 368 984	-67 223 104	-12 808 783	-234 833	-93 635 704
Net book value 31.12.04	22 324 707	245 617 695	73 080 360	6 280 774	15 202 263	362 505 799

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	1 883 326	1 169 194	392 956	721 354	4 174 124
incl. by merger	7 294	1 068 253	630 535	351 285	644	2 058 011
Depreciation charge		-270 434	-866 155	-244 874		-1 381 462
Sales	-503 581	-2 487 139	-69 780	-53 220	-42 182	-3 146 902
Total transactions	-496 287	101 393	295 712	144 591	679 172	724 582
Acquisition cost 31.12.04	1 426 809	16 552 266	8 967 026	1 220 045	986 610	29 152 755
Depreciation charge		-854 434	-4 296 339	-818 630	-15 009	-5 984 412
Net book value 31.12.04	1 426 809	15 697 832	4 670 686	401 415	971 602	23 168 343

Kalev Ltd sold two legal shares of the Pärnu mnt 139 real estate. AS Kalev REC took over the lease contract on the Pärnu Kalevite Kodu real estate, and purchased a real estate for Kalevite Kodu in Paide. AS Kalev REC also invested in the Kalev Ltd Põrguvälja production building.

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction in progress	TOTAL
EEK						
Tangible assets 01.07.03						
Acquisition cost	29 679 200	74 377 878	64 983 608	9 268 908	131 361 311	309 670 905
Accumulated depreciation		-11 510 208	-36 122 641	-6 764 247	-234 833	-54 631 929
Net book value 01.07.03	29 679 200	62 867 670	28 860 967	2 504 661	131 126 478	255 038 976
Transactions of the period						
Acquisition	434 020	21 527 475	40 753 556	2 498 266	38 740 409	103 953 725
incl. by merger	434 020	21 527 475	7 199 728	493 137		29 654 360
Depreciation charge		-1 620 334	-5 328 486	-831 533		-7 780 353
Sales				-200 984		-200 984
Total transactions	434 020	19 907 141	35 425 070	1 465 749	38 740 409	95 972 388
Acquisition cost 31.12.03	30 113 220	95 541 004	101 890 326	11 390 554	170 101 719	409 036 823
Depreciation charge		-12 766 194	-37 604 288	-7 420 142	-234 833	-58 025 457
Net book value 31.12.03	30 113 220	82 774 810	64 286 038	3 970 412	169 866 886	351 011 366

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction in progress	TOTAL
EUR						
Tangible assets 01.07.03						
Acquisition cost	1 896 842	4 753 601	4 153 199	592 390	8 395 496	19 791 527
Accumulated depreciation		-735 634	-2 308 652	-432 313	-15 009	-3 491 608
Net book value 01.07.03	1 896 842	4 017 966	1 844 547	160 077	8 380 488	16 299 920
Transactions of the period						
Acquisition	27 739	1 375 853	2 604 620	159 668	2 475 957	6 643 837
incl. by merger	27 739	1 375 853	460 145	31 517		1 895 254
Depreciation charge		-103 558	-340 551	-53 145		-497 254
Sales				-12 845		-12 845
Total transactions	27 739	1 272 295	2 264 069	93 678	2 475 957	6 133 738
Acquisition cost 31.12.03	1 924 581	6 106 167	6 511 962	727 987	10 871 453	26 142 151
Depreciation charge		-815 906	-2 403 346	-474 232	-15 009	-3 708 493
Net book value 31.12.03	1 924 581	5 290 261	4 108 616	253 755	10 856 445	22 433 658



## 2. Real estate investments

	Consolidated		
	Land	Buildings	TOTAL
EEK			
<b>01.07.2004</b>			
Value 01.07.2004	35 653 096	22 401 670	58 054 766
Sales	23 507 396	13 911 325	37 418 721
Purchase	844 744	25 643 059	26 487 803
<b>Value 31.12.2004</b>	<b>12 990 444</b>	<b>34 133 404</b>	<b>47 123 848</b>

EUR			
<b>01.07.2004</b>			
Value 01.07.2004	2 278 648	1 431 728	3 710 376
Sales	1 502 396	889 096	2 391 492
Purchase	53 989	1 638 890	1 692 879
<b>Value 31.12.2004</b>	<b>830 241</b>	<b>2 181 522</b>	<b>3 011 763</b>

AS Kalev REC disposed of parts of the Keila-Joa recreational centre, real estate located at Kohila 6 and Kohila 8 in Tallinn, as well as a legal share of the real estate located at Madara 27 in Tallinn. AS Kalev REC also purchased real estates located at Kastani 183A, 183B, 183C and a legal share of the real estate located at Võru 55 in Tartu.

	Consolidated		
	Land	Buildings	TOTAL
EEK			
<b>01.07.2003</b>			
Value 01.07.2003	49 102 750	26 470 345	75 573 095
Sales	12 244 000	4 500 000	16 744 000
Purchase	52 700 000		52 700 000
<b>Value 31.12.2003</b>	<b>89 558 750</b>	<b>21 970 345</b>	<b>111 529 095</b>

EUR			
<b>01.07.2003</b>			
Value 01.07.2003	3 138 230	1 691 759	4 829 989
Sales	782 532	287 602	1 070 134
Purchase	3 368 135		3 368 135
<b>Value 31.12.2003</b>	<b>5 723 833</b>	<b>1 404 157</b>	<b>7 127 990</b>

### 3. 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		5 712 590	5 712 590
Depreciation charge	-37 182		
Reclassification		9 941 550	9 941 550
Total transactions	-37 182	15 654 140	15 616 958
Acquisition cost 31.12.2004	359 155	6 483 959	6 843 114
Depreciation charge	-243 211		-243 211
Net book value 31.12.2004	115 944	6 483 959	6 599 903

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		365 101	365 101
Depreciation charge	-2 376		- 2 376
Reclassification		635 381	635 381
Total transactions	-2 376	1 000 482	998 106
Acquisition cost 31.12.2004	22 954	414 401	437 355
Depreciation charge	-15 544		-15 544
Net book value 31.12.2004	7 410	414 401	421 811

		Consolidated	
	Assets	*Goodwill	TOTAL
EEK			
Intangible assets 01.07.2003			
Acquisition cost	350 665		350 655
Accumulated depreciation	-132 940		-132 940
Net book value 01.07.2003	217 725		217 725
Transactions of the period			
Acquisition			
Depreciation charge	-36 332		-36 332
Goodwill		-11 748 348	-11 748 348
Total transactions	-36 332	-11 748 348	-11 784 680
Acquisition cost	350 655	-11 748 348	-11 397 693
Depreciation charge	-169 272		-169 272
Net book value 31.12.2003	181 383	-11 748 348	-11 566 965

EUR			
Intangible assets 01.07.2003			
Acquisition cost	22 411		22 411
Accumulated depreciation	-8 496		-8 496
Net book value 01.07.2003	13 915		13 915
Transactions of the period			
Acquisition			
Depreciation charge	-2 322		-2 322
Goodwill		-750 854	-750 854
Total transactions	-2 322	-750 854	-753 176
Acquisition cost	22 411	-750 854	-728 443
Depreciation charge	-10 818		-10 818
Net book value 31.12.2003	11 592	-750 854	-739 262

#### 4. Debt obligations

	Consolidated	Consolidated	Consolidated	Consolidated
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
	EEK	EEK	EUR	EUR
Debt obligations	22 142 029	1 614 330	1 415 134	103 174
Overdraft	43 418 586	18 918 523	2 774 953	1 209 114
Finance lease liabilities	7 018 560	7 269 494	448 568	464 605
Other short-term liabilities	4 772 285	2 738 278	305 005	175 008
<b>Total debt obligations</b>	<b>77 351 460</b>	<b>30 540 625</b>	<b>4 943 659</b>	<b>1 951 902</b>
Long-term finance lease liabilities	107 951 223	161 918 800	6 899 341	10 348 497
Other long-term liabilities	13 886 249	7 863 437	887 493	502 565
Long-term loans	15 198 654	19 011 163	971 371	1 215 035
<b>Total long-term liabilities</b>	<b>137 036 126</b>	<b>18 793 399</b>	<b>8 758 205</b>	<b>12 066 097</b>

#### 5. Share capital

	Consolidated	Consolidated	Consolidated	Consolidated
	31.12.2004	31.12.2003	31.12.2004	31.12.2004
	EEK	EEK	EUR	EUR
Number of common shares	23 632 500	7 877 500	23 632 500	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).

## 6. 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
	01.10.2004-31.12.2004	01.10.2003-31.12.2003	01.10.2004-31.12.2004	01.10.2003-31.12.2003
	EEK	EEK	EUR	EUR
Confectionery products	108 672 676	110 404 047	6 945 450	7 056 105
Baked goods	9 475 436		605 591	
Biscuits	7 045 314		450 278	
Dairy products	99 682 159		6 370 851	
Income from real estate investments	26 179 342	1 383 481	1 673 165	88 421
Other sales	14 096 170	4 055 724	900 909	259 208
<b>TOTAL</b>	<b>265 151 096</b>	<b>115 843 252</b>	<b>16 946 244</b>	<b>7 403 733</b>
	Consolidated	Consolidated	Consolidated	Consolidated
	01.07.2004-31.12.2004	01.07.2003-31.12.2003	01.07.2004-31.12.2004	01.07.2003-31.12.2003
	EEK	EEK	EUR	EUR
Confectionery products	177 443 944	166 504 885	11 340 735	10 641 602
Baked goods	21 968 894		1 404 068	
Biscuits	11 393 015		728 146	
Dairy products	179 085 216		11 445 631	
Income from real estate investments	28 367 253	12 032 974	1 812 998	769 047
Other sales	21 800 645	7 625 326	1 393 315	487 347
<b>TOTAL</b>	<b>440 058 966</b>	<b>186 163 185</b>	<b>28 124 894</b>	<b>11 897 996</b>

## Sales by markets

	Consolidated	Consolidated	Consolidated	Consolidated
	01.10.2004-31.12.2004	01.10.2003-31.12.2003	01.10.2004-31.12.2004	01.10.2003-31.12.2003
	EEK	EEK	EUR	EUR
Estonia	179 727 994	97 516 797	11 486 712	6 232 459
Eastern Europe	1 494 492	6 042 687	95 515	386 198
Baltic States	5 727 631	8 107 427	366 062	518 159
Scandinavia	20 276 231	669 034	1 295 887	42 759
Other countries	57 924 748	3 507 307	3 702 066	224 158
<b>TOTAL</b>	<b>265 151 096</b>	<b>115 843 252</b>	<b>16 946 244</b>	<b>7 403 733</b>
	Consolidated	Consolidated	Consolidated	Consolidated
	01.07.2004-31.12.2004	01.07.2003-31.12.2003	01.07.2004-31.12.2004	01.07.2003-31.12.2003
	EEK	EEK	EUR	EUR
Estonia	275 177 815	156 679 343	17 587 068	10 013 635
Eastern Europe	2 490 144	11 995 920	159 149	766 679
Baltic States	10 318 327	11 563 669	659 461	739 053
Scandinavia	29 012 274	2 020 901	1 854 222	129 159
Other countries	123 060 406	3 903 352	7 864 993	249 470
<b>TOTAL</b>	<b>440 058 966</b>	<b>186 163 185</b>	<b>28 124 894</b>	<b>11 897 996</b>

## 7. Personnel expenses

In the period between 1 July 2004 and 31 December 2004, a total of 32 employees were laid off. Redundancy payments amounted to a total of 710,259 kroons (45,394 euros).

## 8. Earnings per share

	Consolidated	Consolidated	Consolidated	Consolidated
	01.07.-31.12.04	01.07.-31.12.03	01.07.-31.12.04	01.07.-31.12.03
	EEK	EEK	EUR	EUR
Net profit	7 165 977	-6 899 344	457 989	-440 947
Weighed average number of shares during the period	23 632 500	7 877 500	23 632 500	7 877 500
*Adjusted weighed average number of shares during the period	23 632 500	23 632 500	23 632 500	23 632 500
Earnings per share (EPS)	0,3	-0,88	0,02	-0,06
*Adjusted earnings per share (EPS)	0,3	-0,29	0,02	-0,00

\* Earnings per share and the number of shares have been rendered comparable after the approval of the Annual Report 2003/2004 and the subsequent bonus issue.

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

## 9. Transactions with related parties

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

	Services	Goods	Balance 31.12.2004	Balance 01.07.2004
EEK				
Purchased goods and services				
From Tööstuse Teenindamise AS	26 307 864		4 022 617	918 528
From Tallinna Piimatööstuse AS		63 374 154	355 862	355 671
Other purchases	413 3750	1 136 716	258 745	282 064
Payables at the beginning of the period	1 113 936	442 327		1 556 263
Payables at the end of the period	4 191 475	445 749	4 637 224	
Goods and services sold to companies related to the Manager				
Sold services and goods				
Sold goods and services				
Tallinna Piimatööstus		140 015 381	10 359 299	20 982 003
Other sales	708 983	3 206 933	2 764 379	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	1 770 659	11 353 019	13 123 678	



	Services	Goods	Balance 31.12.2004	Balance 01.07.2004
EUR				
Purchased goods and services				
From Tööstuse Teenindamise AS	1 681 379		257 092	58 705
From Tallinna Piimatööstuse AS		4 050 347	22 744	22 732
Other purchases	26 419	72 649	16 537	18 027
Payables at the beginning of the period	71 193	28 270		99 463
Payables at the end of the period	267 884	28 489	296 373	
Goods and services sold to companies related to the Manager				
Sold services and goods				
Sold goods and services				
Tallinna Piimatööstus		8 948 614	662 080	1 340 994
Other sales	45 312	204 960	176 676	187 555
Receivables at the beginning of the period	118 109	1 410 441		1 528 549
Receivables at the end of the period	113 166	725 590	838 756	

	Services	Goods	Balance 31.12.2004	Balance 01.07.2004
EEK				
Purchased goods and services				
From Tööstuse Teenindamise AS	17 722 265		17 722 265	22 091 238
From Tallinna Piimatööstuse AS		2 167 890	2 167 890	12 356 568
Other purchases	1 168 200	826 776	1 994 976	2 111 698
Payables at the beginning of the period	1 816 327	335 652	2 151 980	1 451 749
Payables at the end of the period	4 775 431	547 057	5 322 488	2 151 979
Goods and services sold to companies related to the Manager				
Sold goods and services	212 638	4 956 268	5 168 906	5 589 500
Receivables at the beginning of the period	151 968		151 968	3 679 178
Receivables at the end of the period	159 063	979 982	1 139 045	151 968

	Services	Goods	Balance 31.12.2004	Balance 01.07.2004
EUR				
Purchased goods and services				
From Tööstuse Teenindamise AS	1 132 656		1 132 656	1 441 884
From Tallinna Piimatööstuse AS		138 553	138 553	789 727
Other purchases	74 661	52 840	127 502	134 962
Payables at the beginning of the period	116 084	21 452	137 536	92 783
Payables at the end of the period	305 205	34 963	340 168	137 536
Goods and services sold to companies related to the Manager				
Sold goods and services	13 590	316 762	330 352	357 233
Receivables at the beginning of the period	9 713		9 713	235 142
Receivables at the end of the period	10 166	62 632	72 798	9 713

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 1,011,490 kroons (64,646 euros), compared to the 804,620 kroons (51,424 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.