



AS Kalev

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9 MONTHS INTERIM REPORT

Beginning of the period 1.07.2004

End of the period 31.03.2005

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 nine months of the financial year 2004/2005, compared to the same period last year:

- Increase in revenue: 1.8 times (279 million kroons – i.e. 17.8 million euros);
Increase in sugar and chocolate confectionery product revenue: 1.04 times (10 million kroons – i.e. 0.6 million euros);
- Increase in export revenue: 5.6 times (199 million kroons – i.e. 12.7 million euros);
- Increase in revenue per employee: 1.4 times (0.26 million kroons – i.e. 16.6 thousand euros);
- Increase in confectionery products (chocolate and sugar confectionery products, baked goods, biscuits) sold: 2 times (5,200 tons);
- Dairy products sold: 10,324 tons (269 million kroons – i.e. 17.2 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 9-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	100%
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 nine months of the financial year 2004/2005, the company focused its marketing and sales activities on the three holidays during the period – Christmas, Valentine's Day and Easter.

This year, Kalev Ltd's Christmas collection comprised 50 product items. A new addition to the assortment of Christmas products was the collection of classics – various pralines, handmade boxed chocolate and chocolate bars. For the first time in the company's history, Kalev Ltd launched a special new product series for young sweet tooths. The assortment of ginger bread products was improved, compared to last year.

For Valentine's Day, the company mainly focused on anniversary chocolate bars of various sizes, as well as heart-shaped marzipan and chocolate products.

The Easter product portfolio consisted of traditional anniversary chocolate bars, candy packages and gift boxes. Kalev Ltd also launched a new product – wheat pollard biscuits – at the market. These biscuits will remain a part of the company's main assortment.

Aiming at strengthening the company's position in the low price class sector, Kalev Ltd launched a new product series under the Sonja trademark at the market in February 2005. The share of low price class sweets has rapidly grown at the local market in recent years. While in 2003 the share of candy with lower-than-average prices was an estimated 33% of the Estonian packaged candy market, this indicator reached 42.5% in 2004.

The Sonja trademark series include four new specially prepared candies: cocoa-flavoured wafer candies, cocoa-flavoured sweet bites, lemon-flavoured jelly candies and the arachis-flavoured pralines. The candies come in simple noticeable packages, comprising a visually cohesive product family.

Other products launched by Kalev Ltd in the given period included chocolate-coated cocoa-flavoured pralines, boxed chocolates *Athena* and *Toompea*, double-layered praline sticks, 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 42% in February and March 2004, as regards chocolate confectionery and sugar confectionery products (February and March 2003: 43%). In the biscuit sector, the company's market share was 15% in the same period.

Kalev Group's total sales of various confectionery and dairy products amounted to 20,944 tons in the first nine months of the financial year 2004/2005. The home market constituted 68% of the total sales. 32% of the sales were exported.

Kalev Group sold a total of over 4,900 tons of confectionery products (incl. chocolate confectionery and sugar confectionery products) in the given period—a 5% decrease, compared to the same period last year. 91% of the total volume of confectionery products was sold at the home market; 9% was 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.

Kalev Group's total sales of flour baked goods (incl. bakery products and biscuits) amounted to 5,600 tons in the first nine months of the financial year 2004/2005. The majority was sold at the home market. The company was not yet actively involved in the flour baked goods sector in the given period.

In the given period, Kalev Group sold a total of over 10,300 tons of dairy products, including skim milk and milk powder, highly pasteurised milk and butter (over 900 tons in the comparative period). Over a half – i.e. 57% of the above products was exported to various EU member states.

Economic activities and financial results

The consolidated net sales of Kalev Ltd for the financial year 2004/2005 amounted to 611.4 million kroons (i.e. 39.1 million euros)—a 1.8-time increase, compared to the same period last year. In the given period, the company earned 6.4 million kroons (0.4 million euros) in consolidated net profit, compared to the 22-million-kroon (i.e. 1.4-million-euro) net profit in the first nine 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 nine 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 decrease in the consolidated net profit of Kalev Ltd in the first nine months of the financial year 2004/2005 was, above all, conditioned by the production input price increase – incl. the raw material price increase after Estonia's accession to the European Union. The low purchase price of powdered dairy products at the European dairy product market in the first quarter of the year was another contributor to the decrease in consolidated profit, since the subsidiary AS Kalev Paide Tootmine exports most of its products to EU member states.

The company earned 30 million kroons (i.e. 1.9 million euros) in extraordinary revenue from real estate transactions in the financial year 2003/2004. This revenue remained modest in the given period.

The 47.5% 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 expanded product assortment and the tightening competition at the final consumer market also contributed to the increase in marketing expenses.

The company's general and administrative expenses decreased by 20.7% in the given period. The general and administrative expenses for the first nine months of the financial year 2003/2004 included single expenses on production equipment relocation and assembly, and launch of the production process in the amount of 15.2 million kroons (0.97 million euros).

The 51.7% and 42% decrease in expenses and revenue (respectively) was conditioned by the real estate transactions, the volume of which was smaller than the volume of transactions concluded in the comparative period.

In the first nine months of the financial year 2004/2005, Kalev Group employed an average of 806 people—an 11% increase, compared to the same period last year. This increase was mainly due to incorporation of the employees of the new subsidiary AS Vilma among the group staff in July 2004.

The Tax and Customs Board conducted an audit in Kalev Ltd in the first nine months of the financial year 2004/2005, inspecting the company's sugar stock reserve and its declaration. The audit commenced on 8 November 2004, and had not been finished by the time of the preparation of this report.

Kalev Ltd believes the sugar stock reserve declaration to be correct and in compliance with the Excessive Stock Reserve Fee Act. Consequently, the company's management does not expect the audit to have any effect on Kalev Ltd's financial results.

The potential "leaking" of the data presented to the Tax and Customs Board in the course of the audit caused unfounded media speculations on the company's supposed stock reserves and the fines to be calculated thereof. Violation of the tax secret harmed Kalev Ltd's reputation as a listed company and employer.

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 7-26, gives a fair and true view of the company's financial results in the first nine months, in accordance with the principle of going concern. This interim report has not been audited or otherwise examined by auditors.

Põrguvälja, 9 May 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

	Note	Consolidated	Consolidated	Consolidated	Consolidated
	no	31.03.2005	31.03.2004	31.03.2005	31.03.2004
ASSETS					
CURRENT ASSETS		EEK	EEK	EUR	EUR
CASH AND BANK ACCOUNTS		36 433 589	3 254 736	2 328 531	208 015
RECEIVABLES		115 000 387	123 610 798	7 349 864	7 900 150
PREPAYMENTS		4 764 835	19 740 351	304 528	1 261 635
INVENTORIES		107 837 206	85 853 581	6 892 054	5 487 030
TOTAL CURRENT ASSETS		264 036 017	232 459 466	16 874 977	14 856 830
NON-CURRENT ASSETS					
LONG-TERM FINANCIAL INVESTMENTS					
OTHER LONG-TERM RECEIVABLES		330 180	330 180	21 102	21 102
PROPERTY, PLANT AND EQUIPMENT	1	343 187 561	363 089 521	21 933 683	23 205 591
INVESTMENT PROPERTY	2	128 222 247	61 665 519	8 194 895	3 941 135
INTANGIBLE ASSETS	3	6 624 095	-9 019 603	423 357	-576 546
TOTAL NON-CURRENT ASSETS		478 364 083	416 065 617	30 573 037	26 591 371
TOTAL ASSETS		742 400 100	648 525 083	47 448 014	41 448 201
LIABILITIES AND OWNER'S EQUITY					
LIABILITIES					
BORROWINGS	4	102 441 616	65 235 634	6 547 213	4 169 306
PREPAYMENTS RECEIVED FROM CUSTOMERS		2 410 112	14 333 000	154 034	916 043
ACCOUNTS PAYABLE		168 639 527	127 466 815	10 778 030	8 146 593
TAXES PAYABLE		0	5 577 867	0	356 490
OTHER PAYABLES		10 654 666	16 595 672	680 957	1 060 654
TOTAL CURRENT LIABILITIES		284 145 921	229 208 988	18 160 234	14 649 087
LONG-TERM BORROWINGS	4	179 074 692	156 549 867	11 444 959	10 005 335
TOTAL NON-CURRENT LIABILITIES		179 074 692	156 549 867	11 444 959	10 005 335
TOTAL LIABILITIES		463 220 613	385 758 855	29 605 193	24 654 422
OWNER'S EQUITY					
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
MANDATORY RESERVE		4 020 204	1 537 837	256 938	98 285
RETAINED EARNINGS		10 231 636	143 137 790	653 921	9 148 149
PROFIT FOR THE FINANCIAL YEAR		6 391 544	21 966 913	408 494	1 403 938
MINORITY INTEREST		5 051 715	189 300	322 863	12 098
TOTAL OWNER'S EQUITY		274 127 772	262 766 228	17 519 958	16 793 779
TOTAL LIABILITIES AND OWNER'S EQUITY		742 400 100	648 525 083	47 448 014	41 448 201

2.3. Income statement

	Note	Consolidated	Consolidated	Consolidated	Consolidated
	no	01.07.2004- 31.03.2005	01.07.2003- 31.03.2004	01.07.2004- 31.03.2005	01.07.2003- 31.03.2004
		EEK	EEK	EUR	EUR
REVENUE	6	611 428 451	332 208 026	39 077 400	21 231 908
COST OF SALES		489 927 956	211 390 576	31 312 103	13 510 286
GROSS PROFIT		121 500 495	120 817 450	7 765 297	7 721 623
MARKETING EXPENSES		62 885 594	42 640 707	4 019 122	2 725 231
GENERAL AND ADMINISTRATIVE EXPENSES		51 864 247	65 431 832	3 314 730	4 181 846
OTHER REVENUE		18 965 209	32 685 123	1 212 098	2 088 955
OTHER EXPENSES		7 411 264	15 335 657	473 666	980 125
OPERATING PROFIT		18 304 599	30 094 377	1 169 877	1 923 376
FINANCIAL INCOME		548 352	989 904	35 046	63 266
FINANCIAL EXPENSES		11 400 744	9 141 791	728 640	584 265
PROFIT BEFORE INCOME TAX		7 452 207	21 942 490	476 283	1 402 377
MINORITY INTEREST		- 1 060 663	24 423	-67 789	1 561
NET PROFIT		6 391 544	21 966 913	408 494	1 403 938
EARNINGS PER SHARE	8	0,27	2, 79	0,02	0,18

Income statement: 3rd quarter

	Note	Consolidated	Consolidated	Consolidated	Consolidated
	no	01.01.2005- 31.03.2005	01.01.2004- 31.03.2004	01.01.2005- 31.03.2005	01.01.2004- 31.03.2004
		EEK	EEK	EUR	EUR
REVENUE	6	171 369 485	146 044 841	10 952 478	9 333 943
COST OF SALES		148 764 771	89 166 814	9 507 802	5 698 798
GROSS PROFIT		22 604 714	56 878 027	1 444 677	3 635 145
MARKETING EXPENSES		18 319 098	13 719 600	1 170 804	876 842
GENERAL AND ADMINISTRATIVE EXPENSES		10 638 146	30 995 602	679 901	1 923 231
OTHER REVENUE		12 906 922	30 995 602	824 903	1 980 980
OTHER EXPENSES		3 900 693	11 767 848	249 300	752 103
OPERATING PROFIT		2 653 699	32 294 153	169 574	2 063 949
FINANCIAL INCOME		113 949	404 527	7 283	25 854
FINANCIAL EXPENSES		3 309 412	3 856 856	211 510	246 498
PROFIT BEFORE INCOME TAX		-541 764	28 866 247	- 1 607 332	34 625
MINORITY INTEREST		-232 669	24 423	- 14 872	1 561
NET PROFIT		- 774 433	28 866 247	- 49 495	1 844 866
EARNINGS PER SHARE	8	-0,03	3,66	-0,0	0,23

2.4. Cash flow statement

	Note	Consolidated 01.07.2004-31.03.2005	Consolidated 01.07.2003-31.03.2004	Consolidated 01.07.2004-31.03.2005	Consolidated 01.07.2003-31.03.2004
CASH FLOW FROM OPERATING ACTIVITIES		EEK	EEK	EUR	EUR
OPERATING PROFIT		18 304 599	30 094 378	1 169 877	1 923 376
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT		17 969 049	11 883 150	1 148 432	759 470
DEPRECIATION OF INTANGIBLE ASSETS		55 773	54 498	3 564	3 483
PROCEEDS/LOSS FROM DISPOSALS OF NON-CURRENT ASSETS		4 297 942	2 919 669	274 689	186 600
CHANGE IN RECEIVABLES AND PREPAYMENTS RELATED TO OPERATING ACTIVITIES		74 957 950	-17 307 302	4 790 686	-1 106 135
CHANGE IN INVENTORIES		-22 763 929	-45 126 645	-1 454 880	-2 884 111
CHANGE IN LIABILITIES AND PREPAYMENTS RELATED TO OPERATING ACTIVITIES		-8 193 657	95 836 350	-523 670	6 125 043
INTEREST PAID		-10 393 953	-7 857 140	-664 295	-502 161
TOTAL CASH FLOW FROM OPERATING ACTIVITIES		74 233 774	70 496 958	4 744 403	4 505 565
CASH FLOW FROM INVESTING ACTIVITIES					
ACQUISITION OF SUBSIDIARIES		-20 698 223	- 7 240 050	-1 322 858	-462 722
DISPOSALS OF NON-CURRENT ASSETS (AT SALES PRICE)		30 140 834	40 900 720	1 926 350	2 614 026
ACQUISITION OF NON-CURRENT ASSETS		-16 232 705	-154 714 855	-1 037 459	-9 888 056
TOTAL CASH FLOW FROM INVESTING ACTIVITIES		-6 790 104	-121 054 185	-433 967	-7 736 753
CASH FLOW FROM FINANCING ACTIVITIES					
LOAN REPAYMENTS		-775 081	-1 000 000	-49 537	-63 911
LOANS RECEIVED		30 506 385	78 064 674	1 949 713	4 989 229
USED OVERDRAFT		-6 891 095		-440 421	669 180
SHORT-TERM LOANS RECEIVED		-49 682 047		-3 175 262	
LEASE REPAYMENTS		-6 843 974	-40 120 478	-437 410	-2 564 159
CHANGE IN LONG-TERM BORROWINGS			-1 600 000		-102 258
TOTAL CASH FLOW FROM FINANCING ACTIVITIES		-33 685 812	45 814 612	-2 152 916	2 928 080
CHANGE IN CASH AND CASH EQUIVALENTS		33 757 858	-4 742 615	2 157 520	-303 108
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2 780 382	8 591 080	177 698	549 069
CHANGE		33 757 858	-4 742 615	2 157 520	-303 108
CHANGE IN CURRENCY EXCHANGE RATES		-104 651	539 729	-6 688	-37 946
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		36 433 589	3 254 736	2 328 531	208 015

2.5. Statement of changes in equity

EEK	Note	SHARE CAPITAL	REVALUATION RESERVE	MANDATORY RESERVE	RETAINED EARNINGS	PROFIT FOR FINANCIAL YEAR	TOTAL
Consolidated							
1 JULY 2003		78 775 000	17 159 388	1 537 837	143 137 790		240 610 015
PROFIT ALLOCATION NET PROFIT FOR FINANCIAL YEAR						21 966 913	21 966 913
31 MARCH 2004		78 775 000	17 159 388	1 537 837	143 137 790	21 966 913	262 576 928
Consolidated							
1 JULY 2004		78 775 000	17 159 388	3 160 971	141 514 656	17 184 663	257 794 678
PROFIT ALLOCATION		157 550 000		859 233	-141 514 656	-16 894 577	0
GOODWILL						9 941 550	9 941 550
NET PROFIT FOR FINANCIAL YEAR						6 391 544	6 391 544
31 MARCH 2005		236 325 000	17 159 388	4 020 204	0	16 623 180	274 127 772

EUR							
Consolidated							
1 JULY 2003		5 034 640	1 096 685	98 286	9 148 172		15 377 783
PROFIT ALLOCATION NET PROFIT FOR FINANCIAL YEAR						1 403 938	1 403 938
31.MÄRTS 2004		5 034 640	1 096 685	98 286	9 148 172	1 403 938	16 781 681
Consolidated							
1 JULY 2004		5 034 640	1 096 685	202 023	9 044 435	1 098 300	16 476 083
PROFIT ALLOCATION		10 069 280		54 915	-9 044 435	-1 079 760	0
GOODWILL						635 381	635 381
NET PROFIT FOR FINANCIAL YEAR						408 494	408 494
31 MARCH 2005		15 103 920	1 096 685	256 938		1 062 415	17 519 958

Pursuant to the resolution of the ordinary general meeting of the shareholders of Kalev Ltd on 24 November 2004, the share capital of the company was increased without a monetary contribution (bonus issue) at the expense of owner's equity by 157,550,000 kroons (10,069,280 euros). The share capital now amounts to 236,325,000 kroons (15,103,920 euros). The share capital increase was entered in the Commercial Register on 27 January 2005.

3. ACCOUNTING PRINCIPLES AND BASIS OF ESTIMATIONS

The Estonian kroon is the underlying currency of the Group and the parent company. For comparison purposes, the figures have also been denominated in euros in accordance with the requirements of the Tallinn Stock Exchange rules and regulations, translated on the basis of the original financial indicators denominated in Estonian kroons. No currency exchange rate differences occur upon re-calculation of the financial indicators since the exchange rate between the Estonian kroon and the euro has been fixed (1 EUR = 15.64664 EEK). The financial indicators have been rounded up to the nearest whole number, unless otherwise specified.

This interim report has been prepared based on the following accounting principles.

Basis of preparation

The consolidated interim financial statements of the Group have been prepared in accordance with the International Accounting Standards (IAS) as well as the generally accepted accounting principles, which require the management's estimations of several assets and liabilities as well as revenue and expenses upon their recording.

According to the Management Board, the consolidated interim report of Kalev Ltd for the 6 months of the financial year 2004/2005 gives a fair and true view of the financial results of the Group in accordance with the principle of going concern.

Balance sheet and income statement formats

The balance sheet and income statement of the Group have been prepared in accordance with the formats provided in IAS1. These formats comply with 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 interim report.

Background information on the company and consolidation principles

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

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

Subsidiaries (except for subsidiaries that have been purchased for resale, and are accounted for at fair value) – i.e. companies, where the Group's interest exceeds over 50% of voting shares or the activities or financial policies of which 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 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 has an interest in the following companies:

1. AS Kalev Paide Tootmine (share of Kalev Ltd in the subsidiary's share capital: 100%);
2. AS Kalev Jõhvi Tootmine (share of Kalev Ltd in the subsidiary's share capital: 99.1%);
3. OÜ Maiasmokk (share of Kalev Ltd in the subsidiary's share capital: 81.26%);
4. AS Vilma (share of Kalev Ltd in the subsidiary's share capital: 60.68%);
5. Kalev Merchant Services Ltd (share of Kalev Ltd in the subsidiary's share capital: 100%).
6. AS Kalev Real Estate Company (AS Kalev REC) (share of Kalev Ltd in the subsidiary's share capital: 100%)

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

4. NOTES TO THE FINANCIAL STATEMENTS

1. Property, plant and equipment

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction-in-progress	TOTAL
EEK						
Property, plant and equipment 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	29 282 894	18 578 946	5 696 005	10 924 471	64 596 442
incl. by merger	114 126	16 714 526	9 865 727	5 496 421	10 080	32 200 880
Depreciation charge		-6 661 330	-16 977 005	-3 005 243		-26 643 578
Depreciation of sold non-current assets		14 179 738	1 500 704	785 287		16 465 728
Sale	-20 410 669	-24 568 874	-26 068	-169 852	-758 398	-45 933 861
Total transactions	-20 296 543	-1 947 310	8 794 435	2 520 910	2 947 511	-24 797 937
Acquisition cost 31.03.05	30 089 905	258 827 772	147 372 108	18 514 709	7 757 867	462 562 362
Depreciation charge		-16 743 843	-70 124 197	-11 975 385	-234 833	-99 078 258
Total net book value 31.03.05	9 793 362	242 083 929	77 247 911	6 539 324	7 523 034	343 187 561

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction-in-progress	TOTAL
EUR						
Property, plant and equipment 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	1 871 518	1 187 411	364 041	698 201	4 128 465
incl. by merger	7 294	1 068 253	630 535	351 285	644	2 058 011
Depreciation charge		-425 737	-1 085 028	-192 070		-1 702 835
Depreciation of sold non-current assets		906 250	95 912	50 189		1 052 352
Sale	-1 304 479	-1 570 237	-1 666	-10 856	-48 470	-2 935 709
Total transactions	-1 297 186	-124 456	562 067	161 116	188 380	-1 584 877
Acquisition cost 31.03.05	1 923 095	16 542 110	9 418 794	1 183 306	495 818	29 563 123
Depreciation charge		-1 070 127	-4 481 753	-765 367	-15 009	-6 332 255
Total net book value 31.03.05	625 910	15 471 983	4 937 041	417 939	487 810	21 933 683

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

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction-in-progress	TOTAL
EEK						
Property, plant and equipment 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	32 897 903	41 253 345	3 197 474	49 806 532	127 589 274
incl. by merger	434 020	21 527 475	7 652 155	458 528		30 072 178
incl. reclassification			6 566 576		-6 566 576	0
Depreciation charge		-1 900 442	-8 483 554	-1 217 428		-11 601 424
Sale	-23 315	-6 533 775	0	-357 525	-1 050 080	-7 964 694
Total transactions	410 705	24 463 685	32 769 791	1 622 522	48 756 453	108 023 156
Acquisition cost 31.03.04	30 089 905	97 875 198	108 929 759	11 876 894	173 551 187	422 322 942
Depreciation charge		-10 544 019	-40 759 356	-7 695 212	-234 833	-59 233 421
Total net book value 31.03.04	30 089 905	87 331 179	68 170 403	4 181 681	173 316 354	363 089 521

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction-in-progress	TOTAL
EUR						
Property, plant and equipment 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	2 102 554	2 636 563	204 335	3 183 209	8 154 420
incl. by merger	27 739	1 375 853	489 061	29 305		1 921 958
incl. reclassification			419 680		-419 680	0
Depreciation charge		-121 460	-542 197	-77 808		-741 464
Sale	-1 490	-417 583	0	-22 850	-67 112	-509 035
Total transactions	26 249	1 563 510	2 094 366	103 698	3 116 097	6 903 920
Acquisition cost 31.03.04	1 923 091	6 255 349	6 961 863	759 070	11 091 914	26 991 286
Depreciation charge		-673 884	-2 604 991	-491 812	-15 009	-3 785 696
Total net book value 31.03.04	1 923 091	5 581 465	4 356 872	267 257	11 076 906	23 205 591

2. Investment property

	Consolidated		
	Land	Buildings	TOTAL
EEK			
01.07.2004			
Value 01.07.2004	35 653 096	22 401 670	58 054 766
Sale	23 507 396	13 911 325	82 628 535
Purchase	30 618 326	52 010 209	65 664 783
Prepayments	24 957 667		24 957 667
Value 31.03.2005	67 721 693	60 500 554	128 222 247

EUR			
01.07.2004			
Value 01.07.2004	2 278 648	1 431 728	3 710 376
Sale	1 502 396	889 096	2 391 492
Purchase	1 956 868	3 324 058	5 280 926
Prepayments	1 595 086		1 595 086
Value 31.03.2005	4 328 285	3 866 690	8 194 895

AS Kalev REC sold parts of the Keila-Joa recreational area, real estates located at Kohila 6 and Kohila 8 in Tallinn, and a legal share of the real estate located at Madara 27. AS Kalev REC also purchased real estates located at Kastani 183A, 183B, 183C and Võru 55 in Tartu, and a legal share of the real estate located in Järvevana 3a in Tallinn.

	Consolidated		
	Land	Buildings	TOTAL
EEK			
01.07.2003			
Value 01.07.2003	49 102 750	26 470 345	75 573 095
Sale	62 107 576	4 500 000	66 607 576
Purchase	52 700 000		52 700 000
Value 31.03.2004	39 695 174	21 970 345	61 665 519

EUR			
01.07.2003			
Value 01.07.2003	3 138 230	1 691 759	4 829 989
Sale	3 969 387	287 602	4 256 989
Purchase	3 368 135		3 368 135
Value 31.03.2004	2 536 978	1 404 157	3 941 135

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		5 755 373	5 755 373
Depreciation charge	-55 773		-55 773
Reclassification		9 941 550	9 941 550
Total transactions	-55 773	15 696 923	15 641 150
Acquisition 31.12.2004	359 155	6 526 742	6 885 897
Depreciation charge	-261 802		-261 802
Net book value 31.03.2005	97 353	6 526 742	6 624 095

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		367 835	367 835
Depreciation charge	-3 565		-3 565
Reclassification		635 381	635 381
Total transactions	-3565	1 003 216	999 652
Acquisition cost	22 954	417 135	440 089
Depreciation charge	-16 732		-16 732
Net book value 31.03.2005	6 222	417 135	423 357

		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			
Goodwill		-9 182 820	-9 182 820
Depreciation charge	-54 498		-54 498
Total transactions		-9 182 820	-9 182 820
Acquisition cost	350 655	-9 182 820	-8 832 165
Depreciation charge	-187 438		
Net book value 31.03.2004	163 217	-9 182 820	-9 019 603

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			
Goodwill		-586 888	-586 888
Depreciation charge	-3 483		-3 483
Total transactions		-586 888	-586 888
Acquisition cost	22 411	-586 888	-564 477
Depreciation charge	-11 979		
Net book value 31.13.2004	10 431	-586 888	-576 456

4. Borrowings

	Consolidated	Consolidated	Consolidated	Consolidated
	31.03.2005	01.07.2004	31.03.2005	01.07.2004
	EEK	EEK	EUR	EUR
Borrowings	25 473 198	45 632 133	1 628 034	2 916 425
Overdraft	41 359 947	44 479 396	2 643 382	2 842 752
Finance lease payable	4 654 708	14 650 268	297 490	936 323
Other short-term payables	30 953 763	4 866 604	1 978 306	311 033
Total borrowings	102 441 616	109 628 402	6 547 213	7 006 532
Long-term finance lease payable	149 990 119	102 237 951	9 586 116	6 534 196
Other long-term payables	13 886 249	13 886 249	887 493	887 493
Long-term loans	15 198 3244	7 198 915	971 350	460 094
Total long-term payables	179 074 692	123 323 114	11 444 959	7 881 784

Kalev Ltd issued, by way of placement, a total of 32 million kroons (2.04 million euros) of discounted bonds. The bond redemption date is 12 December 2005 and the value date 31 March 2005. The bonds' annual yield is 6%. The sales price of the bonds was 9,590.79 kroons (~ 612.96 euros), and the redemption price 10,000 kroons (639.1 euros). The primary distribution of the borrowings was conducted via direct sale. The bonds have not been secured and are *pari passu* with the issuer's other unsecured and unsubordinated borrowings.

5. Share capital

	Consolidated	Consolidated	Consolidated	Consolidated
	31.03.2005	31.03.2004	31.03.2005	31.03.2004
	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

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

6. Accounting for segments

Confectionery products, flour confectionery products, dairy products and real estate activities are viewed as separate segments.

Revenue by fields of activity

	Consolidated	Consolidated	Consolidated	Consolidated
	01.01.2005-31.03.2005	01.01.2004-31.03.2004	01.01.2005-31.03.2005	01.01.2004-31.03.2004
	EEK	EEK	EUR	EUR
Confectionery products	69 134 140	73 403 225	4 418 477	4 691 321
Baked goods	8 122 771	8 024 246	519 140	512 843
Biscuits	2 795 345	2 469 939	178 655	157 858
Dairy products	82 343 113	28 098 320	5 262 684	1 795 810
Return on investment property	6 550 138	32 933 450	418 630	2 104 831
Other sales	2 423 978	1 115 660	154 920	71 304
TOTAL	171 369 485	146 044 841	10 952 506	9 333 967
	Consolidated	Consolidated	Consolidated	Consolidated
	01.07.2004-31.03.2005	01.07.2003-31.03.2004	01.07.2004-31.03.2005	01.07.2003-31.03.2004
	EEK	EEK	EUR	EUR
Confectionery products	246 578 084	239 908 110	15 759 212	15 332 923
Baked goods	30 091 665	8 024 246	1 923 208	512 843
Biscuits	14 188 360	2 469 939	906 801	157 858
Dairy products	261 428 329	28 098 320	16 708 315	1 795 810
Return on investment property	34 917 391	44 966 424	2 231 628	2 873 878
Other sales	24 224 623	8 740 986	1 548 236	558 651
TOTAL	611 428 451	332 208 026	39 077 400	21 231 963

Revenue by markets

	Consolidated	Consolidated	Consolidated	Consolidated
	01.01.2005-31.03.2005	01.01.2004-31.03.2004	01.01.2005-31.03.2005	01.01.2004-31.03.2004
	EEK	EEK	EUR	EUR
Estonia	93 749 677	132 301 699	5 991 696	8 455 620
Eastern Europe	835 817	3 318 693	53 418	212 103
Baltic states	3 504 735	7 690 220	223 993	491 495
Scandinavia	8 752 904	2 735 073	559 413	174 803
Other countries	64 526 352	-844	4 123 986	-54
TOTAL	171 369 485	146 044 841	10 952 506	9 333 967
	Consolidated	Consolidated	Consolidated	Consolidated
	01.07.2004-31.03.2005	01.07.2003-31.03.2004	01.07.2004-31.03.2005	01.07.2003-31.03.2004
	EEK	EEK	EUR	EUR
Estonia	368 927 492	288 981 042	23 578 764	18 469 208
Eastern Europe	3 325 961	15 314 613	212 568	978 780
Baltic states	13 823 062	19 253 889	883 455	1 230 545
Scandinavia	37 765 178	4 755 974	2 413 635	303 961
Other countries	187 586 758	3 902 508	11 988 979	249 415
TOTAL	611 428 451	332 208 026	39 077 400	21 231 908

7. Personnel expenses

A total of 38 employees were laid off between 1 July 2004 and 31 March 2005. Dismissal compensations amounted to a total of 907,086 kroons (57,973 euros). In the comparative period, 50 employees received dismissal compensations in the total amount of 1,621,738 kroons (103,648 euros).

8. Earnings per share

	Consolidated	Consolidated	Consolidated	Consolidated
	01.07.-31.03.05	01.07.-31.03.04	01.07.-31.03.05	01.07.-31.03.04
	EEK	EEK	EUR	EUR
Net profit	7 452 207	21 966 913	476 283	1 403 938
Weighed average number of shares during the period	23 632 500	7 877 500	23 632 500	7 877 500
*Weighed average number of shares during the period (adjusted)	23 632 500	23 632 500	23 632 500	23 632 500
Earnings per share (EPS)	0,3	2,79	0,02	0,18

9. Related party transactions

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

	Services	Goods	Balance 31.03.2005	Balance 01.07.2004
EEK				
Purchased goods and services				
From Tööstuse Teenindamise AS	39 138 245		5 385 833	918 528
From Tallinna Piimatööstuse AS		71 418 479	2 664	355 671
Other purchases	1 471 342	152 263	16 225	282 064
Payables at the beginning of the period	1 113 936	442 327		1 556 263
Payables at the end of the period	5 621 833	59 553	5 681 386	
Goods and services sold to companies related with the Manager				
Sold goods and services				
Tallinna Piimatööstus		127 009 542	11 345 0202	20 982 003
Other sales	477 146	3 551 776	3 360 328	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	1 763 466	12 941 882	14 705 348	

	Services	Goods	Balance 31.03.2005	Balance 01.07.2004
EUR				
Purchased goods and services				
From Tööstuse Teenindamise AS	2 501 390		344 217	58 705
From Tallinna Piimatööstuse AS		4 564 473	2 664	22 732
Other purchases	94 036	9 731	16 225	18 027
Payables at the beginning of the period	71 1930	28 270		99 463
Payables at the end of the period	359 301	3 806	363 107	
Goods and services sold to companies related with the Manager				
Sold goods and services				
Tallinna Piimatööstuse AS		8 117 389	725 079	1 340 994
Other sales	30 495	227 000	214 764	187 555
Receivables at the beginning of the period	118 109	1 410 441		1 528 549
Receivables at the end of the period	112 706	827 137	939 843	

	Services	Goods	Balance 31.03.2004	Balance 01.07.2003
EEK				
Purchased goods and services				
From Tööstuse Teenindamise AS	25 632 715		3 469 929	
From Tallinna Piimatööstuse AS		8 277 731	2 531 318	5 300 219
Other purchases	1 640 200	589 112	184 040	827 008
Payables at the beginning of the period	1 816 327	335 652	2 151 980	28 830
Payables at the end of the period	3 587 959	2 597 358	6 185 287	
Goods and services sold to companies related with the Manager				
Sold goods and services				
Tallinna Piimatööstus		71 578 250	23 279 975	
Other sales	250 529	524 273	694 999	11 250 334
Receivables at the beginning of the period	151 968		151 968	122 014
Receivables at the end of the period	174 473	23 800 501	23 974 974	

	Services	Goods	Balance 31.03.2004	Balance 01.07.2003
EUR				
Purchased goods and services				
From Tööstuse Teenindamise AS	1 628 225		221 768	
From Tallinna Piimatööstuse AS		529 042	161 780	338 745
Other purchases	104 828	37 651	11 762	52 855
Payables at the beginning of the period	116 084	21 452	137 536	1 843
Payables at the end of the period	229 310	166 001	395 311	
Goods and services sold to companies related with the Manager				
Sold goods and services				
Tallinna Piimatööstus		4 574 672	1 487 858	
Other sales	16 012	35 507	44 418	719 026
Receivables at the beginning of the period	9 713		9 713	7 798
Receivables at the end of the period	11 151	1 521 125	1 532 276	

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

Kalev Ltd has concluded a production equipment maintenance agreement with Tööstuse Teenindamise AS.

Kalev Group has supported non-profit associations related to the Manager of Kalev Ltd in the amount of 1,178,324 kroons (75,309 euros) (620 thousand kroons – i.e. 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 materially differ from market prices.