



**AS Kalev**

**Reg.no.: 10000952**

**Address: Põrguvälja tee 6**

**Lehmja, Rae vald**

**Harjumaa 75 301**

**Phone: 6 077 710**

**Fax: 6 077 725**

**E-mail: [kalev@kalev.ee](mailto:kalev@kalev.ee)**

**<http://www.kalev.ee>**

## **12 MONTHS INTERIM REPORT**

**Beginning of the period 1.07.2004**

**End of the period 30.06.2005**

**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

Kalev Group pursues three principal fields of activity: confectionery product manufacturing and sale, dairy product manufacturing and sale, and real estate development and administration. In addition to the parent company, AS Kalev, the Group includes six subsidiaries: AS Kalev Paide Tootmine, AS Kalev Jõhvi Tootmine, AS Kalev Real Estate Company (AS Kalev REC), AS Vilma, OÜ Maiasmokk and Kalev Merchant Services Ltd.

The financial indicators of Kalev Ltd and its subsidiaries have been consolidated line by line in this report. The financial indicators of the subsidiary Kalev Merchant Services Ltd have not been consolidated, since the balance sheet volume of the subsidiary only makes up less than 0.5% of the parent company's turnover. The comparative data have not been adjusted, since the financial indicators of the subsidiary have no significant influence on those of the Group.

### 1.1 Economic activities and financial results

Characteristic indicators for the financial year 2004/2005, compared to the same period in the last financial year:

- Increase in consolidated net sales: 1.3 times (218 million kroons – i.e. 13.9 million euros);
- Decrease in consolidated net profit: 58 million kroons – i.e. 3.7 million euros;
- Increase in sugar and chocolate confectionery product revenue: 1.2 times (46.8 million kroons – i.e. 2.9 million euros);
- Increase in export revenue: 3.8 times (276 million kroons – i.e. 17.7 million euros);
- Increase in revenue per employee: 1.1 times (0.05 million kroons – i.e. 3.6 thousand euros);
- Increase in confectionery products sold (chocolate and sugar confectionery products, baked goods, biscuits): 1.7 times (5,600 tons);
- Dairy products sold: 14,333 tons (409 million kroons – i.e. 26.1 million euros);

Consolidated net sales and net profit for the financial year 2004/2005 (by group companies):

	Net profit		Net sales	
	2003/2004	2004/2005	2003/2004	2004/2005
Group	17 184 663	-41 048 415	624 212 816	842 550 341
Kalev Ltd	14 933 856	-29 919 868	436 046 952	384 560 830
AS Kalev Paide Tootmine	-9 557 945	-26 073 355	124 450 197	396 176 378
AS Kalev Jõhvi Tootmine	-1 061 712	-6 839 950	10 887 489	10 695 566
AS Kalev REC	13 874 440	23 919 993	50 856 287	17 522 716
AS Vilma		1 849 928		28 172 124
OÜ Maiasmokk	-59 190	-2 001 490	1 769 528	5 422 726

Consolidated net sales of Kalev Ltd for the financial year 2004/2005 amounted to 842.6 million kroons (i.e. 53.8 million euros) — a 35% increase compared to the same period last year (2003/2004: 624.2 million kroons – i.e. 39.9 million euros).

Increase in the turnover generated by the subsidiary AS Kalev Paide Tootmine was a major contributor to the increase in the consolidated net sales of Kalev Ltd. So was the incorporation of the new subsidiary AS Vilma under Kalev Group in July 2004.

In the financial year 2004/2005, the company's consolidated net loss amounted to 41 million kroons (2.6 million euros), while in the comparative period, the company earned 17.2 million kroons (1.1 million euros) in net profit. The net loss of Kalev Ltd corresponded to the company's expectations. Kalev has developed strategic plans and started pursuing the established goals in order to bring the company out of the red.

The following factors contributed to the company's negative results in the financial year 2004/2005:

1. significant raw material price increase (sugar, nuts and almonds, crude milk);
2. dairy product price drop on the EU market;
3. extraordinary expenses related to the integration of a new subsidiary under Kalev Group, as well as continuing the integration of the previously acquired subsidiaries;
4. extraordinary expenses related to the relocation of the caramel factory and its launch in the new plant complex;
5. increase in consumption of energy, water and sewerage services; fuel price increase;
6. increase in product development expenses;
7. decrease in the export revenue of confectionery products.

The main contributor to the company's loss was the threefold increase in the price of sugar – the most important raw material – after Estonia's accession to the European Union in May 2004. The price of yet another major raw material group – nuts, almonds – continued to grow on the world market as well. For instance, the world market price of nuts has increased four times, compared to the middle of 2003, while the price of almonds has doubled in the last few years. This has been caused by both poor harvest in the countries of origin and political factors.

As a result of the increase in raw material prices, the company has reviewed its confectionery product recipes, and brought the profitability of the product portfolio into line with the increased prices of raw materials. The company has also developed and launched new chocolate and sugar confectionery products in order to enhance its competitive ability. The above actions taken by the company resulted in a 65.3% increase in product development expenses in the financial year under review, compared to last year. The increase in product development and other marketing expenses is the result of the company's pursuit of future growth in profitability.

The dairy sector was characterised by the following trends. The price of raw material continued to rise on the local market in the given period. After its sudden increase at the end

of 2003 (average buying-in price for 2003: 2,880 kroons per ton), the milk buying-in price in Estonia increased a further 6% – from the 3,820 kroons/ton (in the 1<sup>st</sup> quarter of 2004) to 4,050 kroons/ton (average price for the 1<sup>st</sup> quarter of 2005). At the same time, the old EU members experienced the opposite trends – the average milk buying-in price dropped in both 2004 and 2005. By today the milk price in Estonia has more or less levelled with that of the EU countries.

The EU market regulation measures implemented for the purpose of supporting the dairy sector (namely, the drop in the buying-in price of butter and skimmed milk powder) also contributed to the drop in the price of milk. Since July 2004, the intervention buying-in prices for butter and skimmed milk powder have dropped by 7% and 5%, respectively. Due to the stability of world market prices, subsidies granted for export to third countries have continually been reduced. As the year's end is the high season for the dairy product market, the effects related to the drop in intervention buying-in prices could not be seen until the beginning of 2005. The milk powder price dropped by 3% and the butter price by 6% on the EU market in the first half-year of 2005, compared to the same period last year. Since Kalev Ltd's subsidiary AS Kalev Paide Tootmine exports most of its output to the EU countries, the low prices prevailing on the dairy product market had a significant effect on the decrease in the Group's profit. AS Kalev Paide Tootmine will continue focusing on developing partner relations with customers, enhancing efficiency and establishing long-term partnerships with milk producers.

Kalev Group saw further expansion in the financial year 2004/2005, incorporating the Viljandi-based bakery AS Vilma. Integration of this new subsidiary under the Group, as well as the continuing integration of previously acquired subsidiaries resulted in extraordinary expenses for the company. Above all, these expenses were related to integration of the production, sale and logistics systems, and other areas.

Launch of the Põrguvälja plant building, which was completed at the end of 2003, turned out to be more costly than initially estimated. This was caused by bigger energy and sewerage expenses. In the summer of 2004, Kalev Ltd's caramel factory was relocated to the new plant complex. The relocation and launch of the factory incurred 7.8 million kroons (0.5 million euros) in extraordinary expenses.

The overall market situation of the period, characterised by tightening competition on the local baked goods and confectionery product market and the general retail market, can be brought out as one of the contributors to the company's loss. The tightening competition after accession to the EU is the result of the enhanced activities of producers in EU countries. Despite the customs duties that have come into effect, Ukrainian and Russian products are still strongly represented on the local sweets market, especially in border regions. At the same time, the Kalev trademark has maintained its prominent position in Estonia. The company has a strong position on the local confectionery product market.

The company's export revenue decreased in the given financial year. This was caused by Estonia's accession to the European Union, and the resulting establishment of double customs duties for trade with third countries. As a result, Kalev Ltd suspended export of its products to the Ukrainian market.

The 23.3% increase in marketing expenses was mainly due to incorporation of new subsidiaries in the Kalev Group in the given period. The expanded product assortment and the tightening competition on the end-consumer market also contributed to the growth in marketing expenses.

General and administrative expenses grew by 12.2% in the given period. Above all, this was caused by turnover increase in the group companies, and incorporation of the new subsidiary AS Vilma.

The 47.2% decrease in the revenue for the financial year 2004/2005 was affected by real estate transactions, the volume of which was significantly smaller than that of transactions in the comparative period.

In the financial year 2004/2005, Kalev Group employed an average of 802 people—a 12.5% increase, compared to the same period last year. This change was mainly due to incorporation of the employees of the AS Vilma among the Group staff in the given financial year.

In the financial year 2004/2005, the Tax and Customs Board (TCB) conducted an audit of Kalev Ltd, inspecting the company's sugar reserve and its declaration thereof. As a result, the TCB Northern Regional Tax Centre presented Kalev Ltd with a decree on the discovery of carryover stock and excessive stock reserve on 17 June 2005. The company contested the TCB decree, and filed a complaint with the Tallinn Administrative Court, requesting annulment of the above decree of the TCB Northern Regional Tax Centre, validation of the nullity of the decision, and non-application of the Excessive Stock Reserve Fees Act with respect to the company due to contradiction with the Constitution. Kalev Ltd maintains that the company's sugar reserve declaration was correct, and the company did not own or possess, as of 1 May 2004, the 15.6 thousand tons of sugar reserves deemed excessive by the TCB.

## **1.2. Product market and sales**

### **1.2.1. Chocolate and sugar confectionery products**

Kalev Ltd retained its strong position as the leader of the Estonian chocolate and sugar confectionery market in the given financial year. According to the retail survey conducted by AC Nielsen Eesti, Kalev Ltd's market share was 44% in June/July 2005 in chocolate and sugar confectionery products.

The Estonian chocolate and sugar confectionery market was characterised by stable growth in 2004/2005. Above all, this is related to the development of local retail trade business. Kalev Ltd succeeded in keeping pace with market growth in the important segments – e.g. chocolate bars, candy, etc.

Similarly to recent years, the share of sweets of a lower price category increased on the local market in the given period. With the aim of strengthening its position in the sector, the company launched a new product series under the Sonja trademark at the beginning of 2004. So far, Kalev Ltd's products have had a higher quality and price on the Estonian market, and product development in products of lower price categories had been minimal.

As regards marketing activities, the company maintained its focus on product development in the financial year 2004/2005. Kalev launched new products in both the chocolate confectionery sector and the sugar confectionery sector. In addition to the mentioned Sonja product series, Kalev Ltd launched chocolate-coated cocoa-flavoured praline candies, the gift boxes Athena and Toompea, double-layered praline candy sticks and candies, blueberry-flavoured Draakon chews and candy sticks Õunasuflee and Rixx.

### **1.2.2. Baked goods**

In the given period, Kalev Ltd brought the cookie series manufactured by AS Kalev Jõhvi Tootmine under the Kalev trademark, and modernised several of that producer's dark bread and white bread packages. New products launched at the market included Mesikäpp, Tähekesed and the two-flavoured Nisukliiküpsised (wheat bran) cookies.

According to the retail survey conducted by AC Nielsen Eesti, Kalev Ltd's market share was 14% in June/July 2005 as regards cookies.

### **1.2.3. Dairy products**

As Kalev Paide Tootmine significantly (more than four times) increased the output volume of its dairy products in the given period. Skimmed milk, milk powder, cream and butter all showed growth in production volume. High-temperature pasteurised milk (UHT milk) was also produced, in a smaller volume. The share of outsourced services decreased abruptly in the given period. The company started using the stockpiled raw material to manufacture goods on its own.

### **1.2.4. Product sales**

Kalev Group's total confectionery and dairy product sales amounted to over 28 thousand tons in the financial year 2004/2005, having grown by 2.2 times, compared to the last financial year. 52% was sold at the home market; 48% was exported.

Kalev Group sold a total of over 6,300 tons of confectionery products (incl. chocolate and sugar confectionery products) in the given period — a decrease of 9% compared to last year. The home market constituted 85% of the total sales of confectionery products; 15% of the sales were exports. In the given period, the Baltic States remained the group's 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 confectionery product (incl. baked goods and biscuits) sales amounted to over 7,600 tons in the financial year 2004/2005. Most of the output was sold at the home market. In the comparative period, the company was not actively involved in the flour confectionery product sector.

Kalev Group sold over 14,300 tons of dairy products (incl. skimmed milk and milk powder, high-temperature pasteurised milk and butter) in the given period – nearly a fourfold increase,

compared to the financial year 2003/2004. Over half (i.e. 62%) of the sales volume was exported to various EU countries.

### **1.3. Real estate activities**

AS Kalev Real Estate Company (AS Kalev REC), Kalev Ltd's subsidiary involved in real estate administration and management, was initially established for the purpose of organising the construction of Kalev Ltd's new plant building, as well as developing the 30-hectare Põrguvälja real estate in Rae parish in Harju county. Administration and development of Kalev Ltd's real estate located at Pärnu mnt 139 in Tallinn was the secondary purpose.

As of today, AS Kalev REC has aggressively entered the so-called public real estate market and launched active development operations in both the housing sector and the commercial space sector. Ongoing projects include construction of new apartment buildings at Kastani 183a and 183b in Tartu (the so-called "Mesikäpa buildings"), and the office building at Pärnu mnt 139c in Tallinn (the so-called "Tere building"). Housing development projects have also been initiated at Tervise 5, Järvevana tee 3 and 3a, and Marati 4 in Tallinn.



## **2. FINANCIAL STATEMENTS**

### **1. Declaration of the Chairman**

According to the Chairman of the Management Board of AS Kalev, the consolidated interim report of Kalev Ltd, set out on pages 9-28, 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, 31 August 2005

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

Oliver Kruuda  
Chairman

## 2. Balance sheet

	Note	Consolidated	Consolidated	Consolidated	Consolidated
ASSETS	no	30.06.2005	30.06.2004	30.06.2005	30.06.2004
<b>CURRENT ASSETS</b>		EEK	EEK	EUR	EUR
CASH AND BANK ACCOUNTS		7 598 835	2 780 382	485 654	177 699
RECEIVABLES	1	87 463 259	206 221 734	5 589 921	13 179 971
PREPAID EXPENSES	2	20 548 186	3 024 730	1 313 268	193 315
INVENTORIES		100 492 523	85 073 277	6 422 643	5 437 173
<b>TOTAL CURRENT ASSETS</b>		<b>216 102 802</b>	<b>297 100 122</b>	<b>13 811 486</b>	<b>18 988 159</b>
<b>NON-CURRENT ASSETS</b>					
LONG-TERM FINANCIAL INVESTMENTS		2 471 015	330 180	157 927	21 102
MISCELLANEOUS LONG-TERM RECEIVABLES		2 471 015	330 180	157 927	21 102
PROPERTY, PLANT AND EQUIPMENT	3	343 857 657	351 168 558	21 976 510	22 443 761
REAL ESTATE INVESTMENTS	4	201 625 752	58 054 766	12 886 234	3 710 376
INTANGIBLE ASSETS	3,5	78 762	-9 017 055	5 034	-576 295
<b>TOTAL NON-CURRENT ASSETS</b>		<b>548 033 186</b>	<b>400 536 450</b>	<b>35 025 704</b>	<b>25 598 945</b>
<b>TOTAL ASSETS</b>		<b>764 135 988</b>	<b>697 636 571</b>	<b>48 837 191</b>	<b>44 587 103</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>					
<b>LIABILITIES</b>					
CURRENT LIABILITIES	6	120 403 672	109 628 402	7 695 197	7 006 532
PREPAYMENTS FROM CUSTOMERS		3 924 812	3 416 983	250 841	218 385
SUPPLIER PAYABLES	7	213 235 732	165 615 804	13 628 247	10 584 779
TAXES PAYABLES			527 594	0	33 719
OTHER PAYABLES		9 407 459	37 145 927	601 246	2 374 057
<b>TOTAL CURRENT LIABILITIES</b>		<b>346 971 675</b>	<b>316 334 709</b>	<b>22 175 532</b>	<b>20 217 473</b>
LONG-TERM LIABILITIES	6	183 868 465	123 323 114	11 751 337	7 881 784
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>183 868 465</b>	<b>123 323 114</b>	<b>11 751 337</b>	<b>7 881 784</b>
<b>TOTAL LIABILITIES</b>		<b>530 840 140</b>	<b>439 657 824</b>	<b>33 926 868</b>	<b>28 099 256</b>
<b>OWNERS' EQUITY</b>					
SHARE CAPITAL		236 325 000	78 775 000	15 103 920	5 034 640
REVALUATION RESERVE		18 628 043	17 159 388	1 190 549	1 096 685
MANDATORY RESERVE		4 020 204	3 160 971	256 938	202 023
RETAINED EARNINGS		10 231 636	141 514 656	653 921	9 044 435
PROFIT FOR THE FINANCIAL YEAR		-41 048 415	17 184 663	-2 623 472	1 098 300
MINORITY INTEREST		5 139 380	184 070	328 466	11 764
<b>TOTAL OWNERS' EQUITY</b>		<b>228 156 468</b>	<b>257 794 678</b>	<b>14 581 856</b>	<b>16 476 083</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>764 135 988</b>	<b>697 636 571</b>	<b>48 837 191</b>	<b>44 587 103</b>

### 3. Income statement

	Note	Consolidated	Consolidated	Consolidated	Consolidated
	no	01.07.2004-30.06.2005	01.07.2003-30.06.2004	01.07.2004-30.06.2005	01.07.2003-30.06.2004
		EEK	EEK	EUR	EUR
NET SALES	9	842 550 341	624 212 816	53 848 781	39 894 470
COST OF GOODS SOLD		708 128 828	486 836 727	45 257 681	31 114 538
<b>GROSS PROFIT</b>		<b>134 421 513</b>	<b>137 376 089</b>	<b>8 591 100</b>	<b>8 779 932</b>
MARKETING EXPENSES		88 070 076	71 422 289	5 628 704	4 564 716
ADMINISTRATIVE AND					
GENERAL EXPENSES		77 333 362	68 942 074	4 942 503	4 406 202
OTHER OPERATING					
INCOME		24 837 075	47 075 080	1 587 378	3 008 646
OTHER OPERATING					
EXPENSES		16 796 066	14 226 567	1 073 464	909 243
<b>OPERATING PROFIT</b>		<b>-22 940 916</b>	<b>29 860 239</b>	<b>-1 466 192</b>	<b>1 908 417</b>
FINANCIAL INCOME		933 454	2 166 626	59 659	138 473
FINANCIAL EXPENSES		17 768 816	14 865 495	1 135 634	950 078
<b>PROFIT BEFORE</b>					
<b>INCOME TAX</b>		<b>-39 776 278</b>	<b>17 161 371</b>	<b>-2 542 167</b>	<b>1 096 811</b>
MINORITY INTEREST		-1 272 137	23 292	-81 304	1 489
<b>NET PROFIT</b>		<b>-41 048 415</b>	<b>17 184 663</b>	<b>-2 623 472</b>	<b>1 098 300</b>
EARNINGS PER SHARE	11	-1,74	2,18	-0,11	0,14

## Income statement (4<sup>th</sup> quarter)

	Note	Consolidated	Consolidated	Consolidated	Consolidated
	no	01.04.2005-30.06..2005	01.04.2004-30.06.2004	01.04.2005-30.06..2005	01.04.2004-30.06.2004
		EEK	EEK	EUR	EUR
NET SALES	9	231 121 890	292 004 790	14 771 381	18 662 508
COST OF GOODS SOLD		218 200 872	275 446 151	13 945 577	17 604 218
<b>GROSS PROFIT</b>		<b>12 921 018</b>	<b>16 558 639</b>	<b>825 804</b>	<b>1 058 290</b>
MARKETING EXPENSES		25 184 482	28 781 582	1 609 582	1 839 478
ADMINISTRATIVE AND GENERAL EXPENSES		25 469 115	3 510 242	1 627 773	224 345
OTHER OPERATING INCOME		5 871 866	14 389 957	375 281	919 686
OTHER OPERATING EXPENSES		9 384 802	-1 109 090	599 798	-70 884
<b>OPERATING PROFIT</b>		<b>-41 245 515</b>	<b>-234 138</b>	<b>-2 636 069</b>	<b>-14 964</b>
FINANCIAL INCOME		385 102	1 176 722	24 613	75 206
FINANCIAL EXPENSES		6 368 072	5 723 704	406 994	365 810
<b>PROFIT BEFORE INCOME TAX</b>		<b>-47 228 485</b>	<b>-4 781 120</b>	<b>-3 018 450</b>	<b>-305 568</b>
MINORITY INTEREST		-211 474	-1 131	-13 516	-72
<b>NET PROFIT</b>		<b>-47 439 959</b>	<b>-4 782 251</b>	<b>-3 031 966</b>	<b>-305 641</b>
EARNINGS PER SHARE	11	-2,01	-0,61	-0,13	-0,04

#### 4. Cash flow statement

	Consolidated 01.07.2004-30.06.2005	Consolidated 01.07.2003-30.06.2004	Consolidated 01.07.2004-30.06.2005	Consolidated 01.07.2003-30.06.2004
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	EEK	EEK	EUR	EUR
OPERATING PROFIT	-22 940 916	29 860 239	-1 466 192	1 908 417
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	24 016 947	18 730 284	1 534 963	1 197 083
AMORTISATION OF INTANGIBLE ASSETS		73 089		4 671
PROFIT/LOSS FROM SALE OF NON- CURRENT ASSETS	4 199 088	8 346 418	268 371	533 433
CHANGE IN RECEIVABLES AND PREPAYMENTS RELATED TO OPERATING ACTIVITIES	91 254 946	-102 838 109	5 832 254	-6 572 553
CHANGE IN INVENTORIES	-15 419 246	-44 346 340	-985 469	-2 834 248
CHANGE IN LIABILITIES AND PREPAYMENTS RELATED TO OPERATING ACTIVITIES	48 127 757	74 352 279	3 075 924	4 751 977
INTEREST PAID	-8 815 117	-13 112 001	-563 389	-838 010
<b>TOTAL CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>120 423 459</b>	<b>-28 934 141</b>	<b>7 696 462</b>	<b>-1 849 229</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
INVESTMENTS INTO SUBSIDIARIES	-20 505 208	-11 769 050	-1 310 522	-752 179
PROCEEDS FROM SALE OF NON- CURRENT ASSETS (AT SALES PRICE)	30 493 989	88 560 399	1 948 921	5 660 041
PURCHASE OF NON-CURRENT ASSETS	-160 205 822	-95 599 546	-10 239 018	-6 109 925
CHANGE IN LOANS ISSUED	-2 140 835		-136 824	
<b>TOTAL CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-152 357 879</b>	<b>-18 808 197</b>	<b>-9 737 443</b>	<b>-1 202 063</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
REPAYMENTS OF BORROWINGS	-12 428 240	-29 542 335	-794 309	-1 888 099
PROCEEDS FROM BORROWINGS	90 819 187	44 464 674	5 804 404	2 841 811
BANK OVERDRAFT USED	-1 312 160	28 404 687	-83 862	1 815 390
PROCEEDS FROM SHORT-TERM LOANS RECEIVED	-51 945 627	36 365 223	-3 319 931	2 324 161
LEASE PAYMENTS MADE	-19 547 315	-35 164 900	-1 249 301	-2 247 447
REPAYMENT OF BONDS	30 506 385	-1 600 000	1 949 713	-102 259
CHANGE IN LONG-TERM BORROWINGS				
<b>TOTAL CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>36 092 230</b>	<b>42 927 349</b>	<b>2 306 714</b>	<b>2 743 558</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>4 157 813</b>	<b>-4 814 989</b>	<b>265 733</b>	<b>-307 734</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>2 780 382</b>	<b>8 591 080</b>	<b>177 699</b>	<b>549 069</b>
CHANGE	4 157 813	-4 814 989	265 733	-307 734
EFFECT OF ECHANGE RATE CHANGES	660 639	-995 709	42 223	-63 637
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>7 598 834</b>	<b>2 780 382</b>	<b>485 654</b>	<b>177 699</b>

## 5. Statement of changes in equity

EEK	SHARE CAPITAL	REVALUATION RESERVE	STATUTORY LEGAL RESERVE	RETAINED EARNINGS	PROFIT FOR THE FINANCIAL YEAR	TOTAL
<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>
ADJUSTMENT OF REVALUATION RESERVE		1 468 655				1 468 655
DISTRIBUTION OF PROFIT	157 550 000		859 233	- 141 514 656	-16 894 577	0
GOODWILL					9 941 550	9 941 550
NET PROFIT FOR THE FINANCIAL YEAR					-41 048 415	-41 048 415
<b>30 JUNE 2005</b>	<b>236 325 000</b>	<b>18 628 043</b>	<b>4 020 204</b>	<b>0</b>	<b>-30 816 779</b>	<b>228 156 468</b>
<b>Consolidated</b>						
<b>1 JULY 2003</b>	<b>78 775 000</b>	<b>17 159 388</b>	<b>1 537 837</b>	<b>110 675 117</b>	<b>32 462 673</b>	<b>240 610 015</b>
DISTRIBUTION OF PROFIT			1 623 134	30 839 539	-32 462 673	
NET PROFIT FOR THE FINANCIAL YEAR					17 184 663	17 184 663
<b>30 JUNE 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>
EUR						
<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>
ADJUSTMENT OF REVALUATION RESERVE		93 864				93 864
DISTRIBUTION OF PROFIT	10 069 280		54 915	-9 044 435	-1 079 760	
GOODWILL					635 381	635 831
NET PROFIT FOR THE FINANCIAL YEAR					-2 623 472	-2 623 472
<b>30 JUNE 2005</b>	<b>15 103 920</b>	<b>1 190 549</b>	<b>256 938</b>	<b>0</b>	<b>-1 969 551</b>	<b>14 581 856</b>
<b>Consolidated</b>						
<b>1 JULY 2003</b>	<b>5 034 640</b>	<b>1 096 685</b>	<b>98 286</b>	<b>7 073 429</b>	<b>2 074 743</b>	<b>15 377 783</b>
DISTRIBUTION OF PROFIT			103 737	1 971 006	-2 074 743	
NET PROFIT FOR THE FINANCIAL YEAR					1 098 300	1 098 300
<b>30 JUNE 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>16 473 083</b>

Pursuant to the resolution of the ordinary meeting of the shareholders of Kalev Ltd on 24 November 2004, the share capital was increased at the expense of owner's equity by 157,550,000 kroons (10,069,280 euros) without any monetary contributions (through bonus issue). The 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 is the underlying currency of the Group and the parent company. For comparison purposes and pursuant to the requirements of the Tallinn Stock Exchange Rules, the financial indicators of this report have also been denominated in euros, translated from the original 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.

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

#### **Basis of preparation**

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

The interim financial statements have been prepared in accordance with the generally accepted accounting principles, which require estimates on the recording of several asset, liability, revenue and expense items.

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

#### **Formats**

The balance sheet and income statement of the Group have been prepared on the basis of the format, which has been provided in IAS 1 and complies with the Accounting Act of the Republic of Estonia. In order to improve the general overview, some entries have been consolidated. Detailed information is provided in the notes to the interim report.

#### **Background information on the company and consolidation principles**

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

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

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

Subsidiaries are consolidated from the day of their acquisition until the day they are sold, or until control over the particular subsidiary is waived. All intra-group receivables and payables,



as well as the unrealised profit and loss arising from transactions between the Group companies (unless this can be covered) have been eliminated from the consolidated financial statements.

The financial indicators of the subsidiary Kalev Merchant Services Ltd have not been consolidated in this interim report, since the balance sheet volume of the subsidiary only makes up less than 0.5% of the parent company's turnover. The comparative data have not been adjusted, since the financial indicators of the subsidiary have no significant influence on those of the Group.

As at 30 June 2005, Kalev Ltd had an interest in the following entities:

1. AS Kalev Paide Tootmine (with 100% of the share capital owned by Kalev Ltd);
2. AS Kalev Jõhvi Tootmine (with 99.1% of the share capital owned by Kalev Ltd);
3. OÜ Maiasmokk (with 81.26% of the share capital owned by Kalev Ltd);
4. AS Vilma (with 60.68% of the share capital owned by Kalev Ltd);
5. Kalev Merchant Service Ltd (with 100% of the share capital owned by Kalev Ltd);
6. AS Kalev Real Estate Company (AS Kalev REC; with 100% of the share capital owned by Kalev Ltd).

The subsidiary AS Kalev REC owns 50% of the share capital of Sõbra Korterid OÜ.

## **4. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Trade receivables**

The decrease in the balance sheet line “Trade receivables” has been conditioned by the collection of the 93,621,414-kroon (5,983,499-euro) receivable related to sales of raw materials, and the 15,000,000-kroon (958,672-euro) receivable related to the waiver of the right of repurchase of a 18070/52410 legal share in the Pärnu mnt 139 real estate.

### **2. Prepayments**

The increase in prepayments is conditioned by a large VAT prepayment. AS Kalev Paide Tootmine buys crude milk from VAT payers, and exports most of the dairy products to EU member states (i.e. w/o VAT).

### 3. 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 at 01.07.04						
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
Residual value at 01.07.04	30 089 905	244 031 239	68 453 476	4 018 415	4 575 523	351 168 558
Changes during the period						
Acquisitions incl. through business combinations	1 806 711	45 615 057	28 072 143	7 241 937	9 667 300	92 403 148
Depreciation	114 126	16 714 526	9 865 727	5 496 421	10 080	32 200 880
Disposals	-20 410 669	-10 982 910	-20 521 225	-3 609 516		-35 113 651
Depreciation of sold non-current assets		-34 297 959	-3 664 424	-2 521 428	-6 260 411	-67 154 891
Reclassification to real estate		16 727 360	3 562 667	2 027 457		22 317 484
		- 19 762 991				-19 762 991
Total changes						
Cost at 30.06.2005	11 485 947	259 847 597	147 509 091	18 494 352	8 217 245	445 554 232
Accumulated depreciation		-18 517 801	-71 606 454	-11 337 488	-234 833	-101 696 576
Total residual value at 30.06.2005	11 485 947	241 329 796	75 902 637	7 156 865	7 982 412	343 857 657

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction-in-progress	TOTAL
EUR						
Property, plant and equipment at 01.07.04						
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
Residual value at 01.07.04	1 923 095	15 596 439	4 374 974	256 824	292 429	22 443 761
Changes during the period						
Acquisitions incl. through business combinations	115 470	2 915 333	1 794 137	462 844	617 853	5 905 638
Depreciation	7 294	1 068 253	630 535	351 285	644	2 058 011
Disposals and write-off	-1 304 480	-701 936	-1 311 545	-230 690		-2 244 171
Depreciation of sold non-current assets		-2 192 039	-234 199	-161 149	-400 113	-4 291 980
Reclassification to real estate		1 069 073	227 696	129 578		1 426 347
		-1 263 085				-1 263 085
Total changes						
Cost at 30.06.2005	734 086	16 607 288	9 427 549	1 182 005	525 178	28 476 105
Accumulated depreciation		-1 183 503	-4 576 487	-724 598	-15 009	-6 499 596
Total residual value at 30.06.2005	734 086	15 423 785	4 851 063	457 407	510 169	21 976 510

Kalev Ltd sold two legal shares of the Pärnu mnt 139 real estate. AS Kalev REC took over the lease agreement on the Kalevite Kodu real estate in Pärnu, and acquired a real estate for Kalevite Kodu in Paide, making additional investments for the purpose. AS Kalev REC also concluded an agreement on the right of superficies (with the renovation obligation) on the historical market building in Rakvere, and started making investments for the purpose. 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 at 01.07.03						
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
Residual value at 01.07.03	29 679 200	62 867 579	28 860 967	2 504 661	131 126 478	255 038 976
Changes during the period						
Acquisitions incl. through business combinations	434 020	31 535 620	51 313 239	4 736 767	58 502 877	146 522 523
Depreciation	434 020	28 393 047	14 558 338	1 550 292	0	44 935 697
Disposals	0	-12 752 043	-18 525 255	-2 991 182	0	-34 268 479
Initial recognition of non-current assets	-23 315	-1 758 684	-876 411	-231 832	-13 234 129	-16 124 372
Total changes	0	164 138 767	7 680 936	0	-171 819 703	0
Cost at 30.06.2004	410 705	181 163 660	39 592 509	1 513 754	-126 550 955	96 129 672
Accumulated depreciation	30 089 905	268 293 490	123 101 372	13 773 843	4 810 356	440 068 966
Total residual value at 30.06.2004	0	-24 262 251	-54 647 896	-9 755 429	-234 833	-88 900 408
	30 089 905	244 031 239	68 453 476	4 018 415	4 575 523	351 168 558

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction-in-progress	TOTAL
EUR						
Property, plant and equipment at 01.07.03						
Cost	1 896 842	4 753 601	4 153 210	592 391	8 395 518	19 791 572
Accumulated depreciation		-735 636	-2 308 658	-432 314	-15 009	-3 491 617
Residual value at 01.07.03	1 896 842	4 017 971	1 844 552	160 077	8 380 509	16 299 956
Changes during the period						
Acquisitions incl. through business combinations	27 739	2 015 493	3 279 514	302 735	3 739 015	9 364 496
Depreciation	27 739	1 814 646	930 447	99 082	0	2 871 914
Disposals	0	-815 004	-1 183 980	-191 171	0	-2 190 155
Initial recognition of non-current assets	-1 490	-112 400	-56 013	-14 817	-845 815	-1 030 535
Total changes	0	10 490 379	490 901	0	-10 981 280	0
Cost at 30.06.2004	26 249	11 578 468	2 530 423	96 746	-8 088 080	6 143 806
Accumulated depreciation	1 923 095	17 147 079	7 867 612	880 309	307 438	28 125 533
Total residual value at 30.06.2004	0	-1 550 640	-3 492 637	-623 486	-15 009	-5 681 772
	1 923 095	15 596 439	4 374 975	256 823	292 429	22 443 761

#### 4. Investment property

	Consolidated		
	Land	Buildings	TOTAL
EEK			
<b>01.07.2004</b>			
Value 01.07.2004	35 653 096	22 401 670	58 054 766
Disposals	23 507 396	13 911 325	37 418 721
Acquisitions	13 727 770	111 641 279	125 369 049
Prepayments for investments		35 857 667	35 857 667
From non-current assets to investments		19 762 991	19 762 991
<b>Value 30.06.2005</b>	<b>25 873 470</b>	<b>120 131 624</b>	<b>201 625 752</b>

EUR			
<b>01.07.2004</b>			
Value 01.07.2004	2 278 648	1 431 728	3 710 376
Disposals	1 502 396	889 096	2 391 492
Acquisitions	877 364	7 135 178	8 012 543
Prepayments for investments		2 291 723	2 291 723
From non-current assets to investments		1 263 085	1 263 085
<b>Value 30.06.2005</b>	<b>1 653 616</b>	<b>7 677 810</b>	<b>12 886 234</b>

AS Kalev REC sold the real estates located at Kohila 6 and 8 in Tallinn, and a legal share of the real estate located at Madara 27. AS Kalev REC also purchased the real estates located at Tervise 5, Järvevana tee 3 and 3a, and Marati 4 in Tallinn, and a legal share of the real estates located at Võru street, as well as at Kastani 183A, 183B and 183C 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
Disposals	81 156 295	4 500 000	85 656 295
Acquisitions	52 700 000	431 325	53 131 325
Prepayments for investments	15 006 641	0	15 006 641
<b>Value 30.06.2004</b>	<b>35 653 096</b>	<b>22 401 670</b>	<b>58 054 766</b>

EUR			
<b>01.07.2003</b>			
Value 01.07.2003	3 138 238	1 691 763	4 830 001
Disposals	5 186 833	287 602	5 474 435
Acquisitions	3 368 144	27 567	3 395 711
Prepayments for investments	959 099	0	959 099
<b>Value 30.06.2004</b>	<b>2 278 648</b>	<b>1 431 728</b>	<b>3 710 376</b>

## 5. Intangible assets

		Consolidated	
	Assets	*Goodwill	TOTAL
EEK			
Intangible assets at 01.07.2004			
Cost	359 155	-9 170 181	-8 811 026
Accumulated amortisation	-206 029		-206 029
Residual value at 01.07.2004	153 126	-9 170 181	-9 017 055
Changes during the period			
Acquisition			
Goodwill		9 170 181	9 170 181
Accumulated depreciation	-74 364		-74 364
Reclassification			
Total changes during the period		9 170 181	9 170 181
Cost	359 155		359 155
Calculated amortisation	-280 393		-280 393
Residual value at 30.06.2005	78 762		78 762

EUR			
Intangible assets at 01.07.2004			
Cost	22 954	-586 081	-563 127
Accumulated amortisation	-13 168		-13 168
Residual value at 01.07.2004	9 787	-586 081	-576 295
Changes during the period			
Acquisition			
Goodwill		586 081	586 081
Accumulated depreciation	-4 753		-4 753
Reclassification			
Total changes during the period		586 081	586 081
Cost	22 954		22 954
Calculated amortisation	-17 920		-17 920
Residual value at 30.06.2005	5 034		5 034

		Consolidated	
	Assets	*Goodwill	TOTAL
EEK			
Intangible assets at 01.07.2003			
Cost	350 665		350 655
Accumulated amortisation	-132 940		-132 940
Residual value at 01.07.2003	217 725		217 725
Changes during the period			
Acquisition	8 500	-9 170 181	-9 161 681
Accumulated depreciation	-73 089		-73 089
Total changes during the period	-64 589	-9 170 181	-9 234 769
Cost at 30.06.2004	359 155	-9 170 181	-8 811 026
Calculated amortisation	-206 029		-206 029
Residual value at 30.06.2004	153 126	-9 170 181	-9 017 055

EUR			
Intangible assets at 01.07.2003			
Cost	22 411		22 411
Accumulated amortisation	-8 496		-8 496
Residual value at 01.07.2003	13 915		13 915
Changes during the period			
Acquisition	543	-586 081	-585 538
Accumulated depreciation	-4 671		-4 671
Total changes during the period	-4 128	-586 081	-590 209
Cost at 30.06.2004	22 954	-586 081	-563 127
Calculated amortisation	-13 168		-13 168
Residual value at 30.06.2004	9 787	-586 081	-576 295

## 6. Current liabilities

	Consolidated	Consolidated	Consolidated	Consolidated
	30.06.2005	01.07.2004	30.06.2005	01.07.2004
	EEK	EEK	EUR	EUR
Current liabilities	24 976 879	45 632 133	1 596 314	2 916 425
Bank overdraft	43 167 236	44 479 396	2 758 889	2 842 752
Finance lease liabilities	13 775 714	14 650 268	880 429	936 323
Other short-term liabilities	7 479 585	4 866 604	478 033	311 033
Bonds	31 004 257		1 981 533	
<b>Total current liabilities</b>	<b>120 403 672</b>	<b>109 628 402</b>	<b>7 695 197</b>	<b>7 006 532</b>
Long-term finance lease liabilities	137 515 190	102 237 951	8 788 823	6 534 196
Other long-term liabilities	1 616 210	13 886 249	103 295	887 493
Long-term loans	44 737 065	7 198 915	2 859 220	460 094
<b>Total long-term liabilities</b>	<b>183 868 465</b>	<b>123 323 114</b>	<b>11 751 337</b>	<b>7 881 784</b>

Kalev Ltd issued, by way of placement, a total of 32 million kroons (2.04 million euros) worth of discounted bonds. The bond redemption date has been set to 12 December 2005, value date to 31 March 2005, and the annual return to 6%. The sales price was 9,590.79 kroons (~ 612.96 euros) and the redemption price 10,000 kroons (639.1 euros). The initial public offering was conducted through direct sales. The bonds have not been secured and are *pari passu* with other unsecured and unsubordinated borrowings of the issuer.

The interest-bearing liabilities of AS Kalev REC have increased by 84,119,172 kroons (5,376,195 euros).

## 7. Supplier payables

Supplier payables have increased in connection with active real estate development by AS Kalev REC, growth in the turnover of AS Kalev Paide Tootmine, and incorporation of AS Vilma in the Group.

## 8. Share capital

	Consolidated	Consolidated	Consolidated	Consolidated
	30.06.2005	30.06.2004	30.06.2005	30.06.2004
	EEK	EEK	EUR	EUR
Number of ordinary 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 maximum share capital is 31,510,000 shares, with the nominal value of 10 kroons (0.64 euros).



## 9. Segment information

In accounting for segments, the confectionery, flour confectionery and dairy products as well as real estate activities are clearly distinguishable as segments.

### Net sales by activities

	Consolidated	Consolidated	Consolidated	Consolidated
	01.04.2005-30.06.2005	01.04.2004-30.06.2004	01.04.2005-30.06.2005	01.04.2004-30.06.2004
	EEK	EEK	EUR	EUR
Confectionery products	71 620 596	31 457 661	4 577 390	2 010 511
Pastry products	10 487 684	7 936 035	670 285	507 205
Biscuit products	3 649 496	3 095 296	233 245	197 825
Dairy products	147 551 132	139 751 773	9 430 236	8 931 766
Rental income on investment property	-8 184 837*	5 889 863	-523 106	376 431
Other sales	5 997 820	103 874 164	383 331	6 638 769
<b>TOTAL</b>	<b>231 121 890</b>	<b>292 004 790</b>	<b>14 771 381</b>	<b>18 662 508</b>
	Consolidated	Consolidated	Consolidated	Consolidated
	01.07.2004-30.06.2005	01.07.2003-30.06.2004	01.07.2004-30.06.2005	01.07.2003-30.06.2004
	EEK	EEK	EUR	EUR
Confectionery products	318 198 680	271 365 771	20 336 602	17 343 434
Pastry products	40 579 349	15 960 281	2 593 493	1 020 048
Biscuit products	17 837 856	5 565 235	1 140 047	355 683
Dairy products	408 979 461	167 850 093	26 138 552	10 727 576
Rental income on investment property	26 732 554	50 856 287	1 708 522	3 250 309
Other sales	30 222 442	112 615 150	1 931 566	7 197 420
<b>TOTAL</b>	<b>842 550 341</b>	<b>624 212 816</b>	<b>53 848 781</b>	<b>39 894 470</b>

\*Rental income on investment property has been adjusted in the 4<sup>th</sup> quarter – a part of the net sales has been transferred to other income.

## Net sales by markets

	Consolidated	Consolidated	Consolidated	Consolidated
	01.04.2005-30.06.2005	01.04.2004-30.06.2004	01.04.2005-30.06.2005	01.04.2004-30.06.2004
	EEK	EEK	EUR	EUR
Estonia	97 961 745	236 332 411	6 260 897	15 104 394
Eastern Europe	1 473 813	2 840 693	94 194	181 553
Other Baltic states	3 943 718	7 385 471	252 049	472 018
Scandinavia	6 764 235	2 536 907	432 313	162 138
Others	120 978 379	42 909 308	7 731 928	2 742 405
<b>TOTAL</b>	<b>231 121 890</b>	<b>292 004 790</b>	<b>14 771 381</b>	<b>18 662 508</b>
	Consolidated	Consolidated	Consolidated	Consolidated
	01.07.2004-30.06.2005	01.07.2003-30.06.2004	01.07.2004-30.06.2005	01.07.2003-30.06.2004
	EEK	EEK	EUR	EUR
Estonia	466 889 237	525 313 453	29 839 661	33 573 649
Eastern Europe	4 799 774	18 155 306	306 761	1 160 336
Other Baltic states	17 766 780	26 639 360	1 135 504	1 702 565
Scandinavia	44 529 413	7 292 881	2 845 948	466 100
Others	308 565 137	46 811 816	19 720 907	2 991 820
<b>TOTAL</b>	<b>842 550 341</b>	<b>624 212 816</b>	<b>53 848 781</b>	<b>39 894 470</b>

## 10. Personnel expenses

The Group laid off a total of 47 employees between 1 July 2004 and 30 June 2005, with redundancy compensations amounting to a total of 1,319,0214 kroons (843,008 euros). In the comparative period, 84 employees were laid off, with redundancy compensations totalling 2,759,751 kroons (176,380 euros).

## 11. Earnings per share

	Consolidated	Consolidated	Consolidated	Consolidated
	01.07.04.-30.06.05	01.07.03.-30.06.04	01.07.04.-30.06.05	01.07.03.-30.06.04
	EEK	EEK	EUR	EUR
Net profit	-41 048 415	17 184 663	-2 623 472	1 098 300
Weighted average number of shares in the period	23 632 500	7 877 500	23 632 500	7 877 500
Earnings per share (EPS)	-1,74	2,18	-0,11	0,14

## 12. Related party transactions

Transactions with the companies related to the Chairman and members of the Supervisory Board of Kalev Ltd.

	Services	Goods	Balance 30.06.2005	Balance 01.07.2004
EEK				
Goods and services purchased				
From Tööstuse Teenindamise AS	32 085 067		4 9 31 979	918 528
From Tallinna Piimatööstuse AS		129 460 071	26 645 986	355 671
Other purchases	1 754 896	190 025	258 745	282 064
Liability at beginning of year	1 113 936	442 327		1 556 263
Liability at end of year	5 100 837	26 735 873	31 836 710	
Services and goods sold to companies related to the Chairman				
Goods and services sold				
Tallinna Piimatööstus		155 429 794	1 392 319	20 982 003
Other sales	597 813	3 551 776	1 775 730	2 935 165
Receivable at beginning of year	1 847 998	22 068 600		23 916 597
Receivable at end of year	1 758 696	1 409 353	3 168 049	

	Services	Goods	Balance 30.06.2005	Balance 01.07.2004
EUR				
Goods and services purchased				
From Tööstuse Teenindamise AS	2 050 610		315 211	58 705
From Tallinna Piimatööstuse AS		8 274 007	1 702 989	22 732
Other purchases	71 193	12 145	16 537	18 027
Liability at beginning of year	71 193	28 270		99 463
Liability at end of year	326 003	1 708 734	2 034 737	
Services and goods sold to companies related to the Chairman				
Goods and services sold				
Tallinna Piimatööstuse AS		9 933 774	88 985	1 340 994
Other sales	26 707	227 000	113 490	187 591
Receivable at beginning of year	118 109	1 410 441		1 528 549
Receivable at end of year	113 166	90 074	202 475	

	Services	Goods	Balance 30.06.2004	Balance 01.07.2003
EEK				
Goods and services purchased				
From Tööstuse Teenindamise AS	30 255 411		918 528	1698 327
From Tallinna Piimatööstuse AS		27 723 999	355 671	333 836
Other purchases	2 793 302	697 927	282 064	182 121
Liability at beginning of year	1 816 327	335 652		28 830
Liability at end of year	1 113 936	442 327	1 556 263	2 151 979
Services and goods sold to companies related to the Chairman				
Goods and services sold				
Tallinna Piimatööstuse AS		138 970 870	20 982 003	3 505
Other sales	2 013 509	1 288 393	2 935 165	148 946
Receivable at beginning of year	151 968			122 014
Receivable at end of year	1 847 998	22 068 599	23 916 597	151 968

	Services	Goods	Balance 30.06.2004	Balance 01.07.2003
EUR				
Goods and services purchased				
From Tööstuse Teenindamise AS	1 933 673		58 705	108 543
From Tallinna Piimatööstuse AS		1 771 886	22 732	21 336
Other purchases	178 525	44 606	18 027	11 640
Liability at beginning of year	116 084	21 452		1 843
Liability at end of year	71 193	28 270	99 463	137 537
Services and goods sold to companies related to the Chairman				
Goods and services sold				
Tallinna Piimatööstuse AS		8 881 857	1 340 994	224
Other sales	128 687	82 343	187 591	9 519
Receivable at beginning of year	9 713			7 798
Receivable at end of year	118 109	1 410 441	1 528 549	9 713

Crude milk and dairy products have been sold 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 Chairman in the amount of 1,123,131 kroons (71,781 euros) – cf. 1,021,580 kroons (65,291 euros) in the comparative period. According to the company's management, the prices used for related party transactions do not significantly differ from market prices.