



6 MONTHS INTERIM REPORT

Started on July 1, 2005

Ended on December 31, 2005

Translation of the Estonian original

PUBLIC LIMITED COMPANY KALEV

Reg.nr: 10000952

Address:

**Põrguvälja tee 6
Lehmja, Rae vald
Harjumaa 75301
The Republic of Estonia**

Phone no: +372 6 077 710

Fax no: +372 6 077 725

Email: kalev@kalev.ee

<http://www.kalev.ee>

TABLE OF CONTENTS

1. COMMENTS ON FINANCIAL RESULTS.....	3
1.1. Economic activities and financial results	4
1.2. Product market and sales	6
1.3. Real estate activities	8
2. INTERIM FINANCIAL STATEMENTS	9
DECLARATION OF THE MANAGEMENT BOARD	9
INCOME STATEMENT	10
BALANCE SHEET	12
CASH FLOW STATEMENT	13
STATEMENT OF CHANGES IN EQUITY	14
Note 1 Background information	15
Note 2 Accounting principles and basis of estimations	15
Note 3 Segment information.....	17
Note 4 Personnel expenses.....	20
Note 5 Earnings per share.....	20
Note 6 Investment property	21
Note 7 Property, plant and equipment	21
Note 8 Intangible assets.....	22
Note 9 Borrowings	23
Note 10 Provisions	23
Note 11 Share capital	23
Note 12 Related party transactions.....	24
Transactions with the companies related to the Management Board of Kalev Ltd	24

1. COMMENTS ON FINANCIAL RESULTS

Characteristic indicators for the first 6 months of the financial year 2005/2006, compared to the same period in the financial year 2004/2005:

in thousands of kroons and euros

	%	EEK	EUR
Increase in revenue	23	99 729	6 374
Increase in revenue from domestic market	12	33 325	2 130
Increase in operating profit	122	19 050	1 218
Increase in revenue from dairy products	33	58 340	3 729
Increase in revenue from confectionery products	6	10 697	684
Increase in revenue from baked goods	25	9 336	597
Increase in export of confectionery products	33	5 837	373

Kalev Group pursues three principal fields of activity: chocolate confectionery, sugar confectionery and bakery product manufacturing and sale, dairy product manufacturing and sale, and real estate development and administration. The company manufactures its products in five production plants located in Põrguvälja (in the vicinity of Tallinn), Paide, Viljandi, Jõhvi and Kiviõli. AS Kalev also owns a pan-Estonian retail chain, consisting of 12 candy stores and cafes. The newest candy store was opened in the historic market building in Rakvere at the beginning of November 2005. The company is currently renovating a candy store/cafe in Võru, scheduled to be open late spring/early summer of 2006.

Kalev Group's parent company is AS Kalev. In addition to the parent company, the Group incorporates six subsidiaries. As at 31 December 2005, AS Kalev had a significant interest in the following companies:

Name of subsidiary	Location	As of 31.12.2005	As of 31.12.2004
AS Kalev Paide Tootmine	Estonia	100%	100%
AS Kalev Jõhvi Tootmine	Estonia	99,1%	99,1%
AS Vilma	Estonia	99,9%	60,67%
AS Kalev Real Estate Company (AS Kalev REC)	Estonia	100%	59,3%
OÜ Maiasmokk	Estonia	81,26%	81,26%
AS Kalev Merchant Services	USA	100%	100%

On 23.12.2005, AS Kalev acquired an additional 39.2% of the shares of AS Vilma. The transaction cost amounted to 7.3 million kroons. On 1.07.2004, AS Kalev acquired 60.7% of the shares of AS Vilma. Pursuant to the contract, AS Kalev assumed the obligation to acquire the remaining shares from the shareholders of AS Vilma under the same conditions in 2005.

In the first quarter of the financial year 2005/2006, Kalev Group employed an average of 789 people. The shares of AS Kalev have been listed in the Tallinn Stock Exchange since 1996.

1.1. Economic activities and financial results

Unconsolidated net sales and net profit in the first six months of the financial year 2005/2006 (by group companies; in thousands of kroons and euros):

	Net sales		Net profit	
	2005/2006 6 months	2004/2005 6 months	2005/2006 6 months	2004/2005 6 months
EEK				
AS Kalev	223 237	216 492	476	- 5 110
AS Kalev Paide Tootmine	246 422	196 000	- 4 189	2 178
AS Kalev REC	72 716	50 974	34 177	10 378
AS Kalev Jõhvi Tootmine	19 672	18 619	106	- 1 071
OÜ Maiaismokk	3 531	3 173	-198	- 642
AS Vilma	20 974	20 896	965	2 436

	Net sales		Net profit	
	2005/2006 6 months	2004/2005 6 months	2005/2006 6 months	2004/2005 6 months
EUR				
AS Kalev	14 267	13 836	30	- 327
AS Kalev Paide Tootmine	15 749	12 527	- 268	139
AS Kalev REC	4 647	3 258	2 184	663
AS Kalev Jõhvi Tootmine	1 257	1 190	7	- 68
OÜ Maiaismokk	226	203	- 13	- 41
AS Vilma	1 340	1 335	62	156

The consolidated net sales of AS Kalev for the first six months of the financial year 2005/2005 amounted to 539 788 thousand kroons (34 499 thousand euros), having increased by 22.7%, compared to last year (2004/2005 - 440 059

thousand kroons, 28 125 thousand euros). The 33% increase in revenue from dairy products was the main contributor to the increase in AS Kalev's consolidated net sales. At the same time, revenue from confectionery products increased by 6% and revenue from bakery products increased by 25%. Consolidated net revenue growth was also influenced by the sale of the real estate at Pärnu mnt 139E/2 by subsidiary AS Kalev REC.

In the first six months of the financial year 2005/2006, the company earned 27 975 thousand kroons (1 788 thousand euros) in consolidated net profit. In the comparative period, the company earned 7 166 thousand kroons (458 thousand euros) in net profit. The growth in net profit was influenced primarily by the income received from the sale of the real estate at Pärnu mnt. 139E/2 by subsidiary AS Kalev REC. The financial indicators of a majority of the group companies improved in the given period. Among other things, the parent company AS Kalev succeeded in bringing the company out of the red (see the above table). This was conditioned, on the one hand, by enhanced production efficiency and optimising of the product portfolio, and, on the other hand, by increase in the export of confectionery products to Russia (3.4 times) and in the domestic sale of confectionery products (3%). The subsidiary AS Kalev Paide Tootmine showed the biggest decrease in net profit in the first six months of the financial year, compared to the same period last year (see the above table). The loss incurred by the above company was conditioned by unprofitable (i.e. high-priced) raw milk supply agreements that were concluded with milk producers and expired on 31 December 2005. These agreements were concluded at the end of 2004 under expectations of a price increase on the European market. Unfortunately, the price of dairy products failed to rise to the predicted level. New agreements were concluded with milk producers at fair price at the end of 2005.

The 15 771-thousand-kroon increase in other income and expenses in the given period was mostly conditioned by the sale of a legal share of a real estate of AS Kalev Paide Tootmine, and reduction of a provision established for AS Kalev Paide Tootmine at the end of the financial year 2004/2005. The provision was established for the purpose of covering the potential loss arising from the unfavourable market situation for dairy products and the raw milk buying-in contracts until December 2005. The entry "Other income and expenses" was increased accordingly.

Administrative and general expenses decreased by 23.6% in the given period, compared to the same period last year. This was, above all, conditioned by changes in the group structure.

Kalev Group employed an average of 789 people in the first six months of the financial year 2005/2006, compared to the 816 people in the same period last year.

Most important financial ratios in Kalev Group:

	Group	
	01.07.2005- 31.12.2005	01.07.2004- 31.12.2004
Liquidity ratio	0.73	1.00
Financial leverage	0.66	0.56
Asset turnover ratio	0.70	0.65
Net profit margin (%)	5.3%	1.8%
Return on assets (%)	3.7%	1.2%

The ratios are calculated based on the following methods:

Liquidity ratio: current assets / current liabilities

Financial leverage: total liabilities / average total assets

Asset turnover ratio: revenue / average total assets

Net profit margin: net profit / revenue * 100%

Return on assets: net profit / average total assets * 100%

1.2. Product market and sales

1.2.1. Confectionery products

AS Kalev retains its position as the leader of the Estonian chocolate and sugar confectionery market. According to the retail survey conducted by AC Nielsen Eesti, AS Kalev's market share was nearly 41% in October and November 2005, as regards chocolate confectionery and sugar confectionery products. In the biscuit sector, the company's market share was 14% in the same period.

Product development is still considered a priority by AS Kalev. The company aims at developing and launching new and innovative products by considering the needs of the consumers on the domestic and foreign markets. In the given period, the company focused its marketing and sales activities on the launch of the Christmas collection, which contains 70 product items, and preparation of the sales campaign.

The following products of the basic assortment were launched at the market as a result of active product development in the first six months of the financial year 2005/2006: the newest addition to the *Draakon* chews

family is the apple-flavoured *Draakon*; in addition the company started selling strawberry, blueberry and apple-flavoured *Draakon* chews in 16.5-gram mini-packs; the gift-box series *Collection* now includes the 220-gram box of handmade candy (the *Candy Collection*) and the soufflé series the new 340-gram soufflé selection. The company also introduced a new series of pralines by launching three products in the series: marzipan praline, grilliage praline and praline with Indian nuts. These products are marketed as bulk goods as well as in 175-gram mini-packs. Marzipan praline and praline with Indian nuts are also sold in 20-gram bars. The purpose of the launch of a new praline series was to strengthen the company's position in the chocolate candy sector.

In the given period, the company also refreshed its candy packages. Five classic candies – marmalade candies *Lily* and *Tiina*, pralines *Kalev* and *Oravake* and wafer candies *Tallinn* – will, from now on, be more distinctive and bear a more recognisable product trademark. Other candies got new matching packages. The above changes aimed at better displaying the trademark on the products, thus better exploiting the strength of the trademark in the sales process.

The popular AS Vilma flour mix package was also refreshed in the given period. The series include a total of 12 flour mixes for baking tarts, cakes, and muffins, as well as pizza.

1.2.2. Dairy products

The volume of raw milk stocked by AS Kalev Paide Tootmine increased by 39% in the first half-year 2005/2006, compared to the same period last year. Raw milk was mostly used for producing whole milk and skimmed milk powder, cream and butter. The output was marketed mainly in EU countries.

The EU market prices have mostly been affected by the decrease in intervention prices (intervention buying-in price for butter dropped by 7.5% and that for skimmed milk powder by 5.3% from 1 July 2005), and export subsidies. Export subsidies dropped abruptly in May 2005 – by 25, 46 and 21% for butter, skimmed milk powder and whole milk powder, accordingly. The butter, whole milk powder and skimmed milk powder prices at the global market, however, have increased (compared to last year). The regulation of the price difference between prices at the global market and the EU market has lowered the EU prices, compared to last year. For instance, the wholesale price for whole milk powder has decreased by 5.5%, butter by 9.3% and skimmed milk powder by 1.9%, compared to the same period last year.

Continual increase in the price of heat energy (as a result of the increase in the price of shale oil) has also incurred additional costs on dairy product processing. As a result of the high buying-in prices for raw milk in Estonia, and a drop in the market price of dairy products in the economic area, the profitability of the dairy industry has decreased. The results are evident in the financial indicators of AS Kalev Paide Tootmine for the given period. The prices for raw milk are being adjusted in accordance with the drop in market prices. This enables to maintain sustainability in co-operation with the milk producers and the dairy industry.

1.2.3. Product sales

Kalev Group's total confectionery and dairy product sales amounted to 17 300 tons in the first six months of the financial year 2005/2006, having grown by 13%, compared to the same period last financial year. 60% was sold at the home market; 40% was exported.

Kalev Group sold a total of over 3 400 tons of chocolate and sugar confectionery products in the given period – no significant change from last year. The home market constituted 83% of the total sales of confectionery products; 17% of the sales were exported. The Baltic States remained an important export destination. Russian export increased. The total export volume of confectionery products increased by 31%, compared to the first six months of the last financial year. In addition to the above countries, the company also exported its products to the Scandinavian countries, the United States and, in a smaller volume, to Ukraine.

Kalev Group's baked goods product (incl. baked goods and biscuits) sales amounted to 5 600 tons in the first six months of the financial year 2005/2006, having grown by 40% times, compared to the same period last financial year. These products were mostly sold at home. Approximately 8% of the total biscuit volume was exported to Baltic countries.

Kalev Group sold over 8000 tons of dairy products (incl. skimmed milk and milk powder, high-temperature pasteurized milk and butter) in the given period – nearly a 30% increase, compared to the same period in the financial year 2004/2005. Over a half (i.e. 77%) of the sales volume was exported to various EU countries.

1.3. Real estate activities

AS Kalev Real Estate Company (AS Kalev REC), AS Kalev's subsidiary involved in real estate administration and management, continued its operations at the public real estate market (both residential and commercial premises) in the first six months of the financial year 2005/2006.

On 20.12.2005, AS Kalev REC transferred the development project of the real estate located at Pärnu mnt 139E/2 (i.e. the so-called Tere building) at the price of 39.4 million kroons (+VAT). The gross profit to be earned from the transaction amounts to an estimated 26 million kroons. Previous estimations predicted realization of the profit during a longer period of time (i.e. in the calendar year 2006).

2. INTERIM FINANCIAL STATEMENTS

DECLARATION OF THE MANAGEMENT BOARD

The Management Board of AS Kalev takes responsibility for the preparation of the interim financial statements of AS Kalev the first half-year of 2005 set out on pages 9-24, and confirms that, to the best of its knowledge:

- the accounting principles used in preparing the interim financial statements are in compliance with the International Financial Reporting Standards (IFRS), as passed by the European Union;
- the interim financial statements give a true and fair view of the financial position of AS Kalev and the results of its operations and cash flows;
- material circumstances which became evident before the date of preparation of the interim financial statements have been appropriately accounted for and presented in the interim financial statements;
- AS Kalev is able to continue as a going concern.

This interim report has not been audited or otherwise reviewed by auditors.

Põrguvälja, 13 February 2006

A handwritten signature in black ink, appearing to read 'Kruuda', with a stylized flourish at the end.

Oliver Kruuda
Chairman

INCOME STATEMENT

in thousands of kroons and euros

Note		Consolidated (in EEK)		Consolidated (in EUR)	
		2 nd quarter 2006	2 nd quarter 2005	2 nd quarter 2006	2 nd quarter 2005
3	Net sales	311 619	265 151	19 916	16 946
	Cost of sales	-253 446	-207 895	-16 198	-13 287
	Gross profit	58 173	57 256	3 718	3 659
	Marketing expenses	-27 102	-26 050	-1 732	-1 665
	Administrative and general expenses	-16 202	-22 915	-1 035	-1 464
	Other revenue and expenses	14 799	3 625	945	232
	Operating profit	29 668	11 916	1 896	762
	Other financial income and expenses	-2 324	-4 291	-148	-274
	Net profit (loss) for the financial year	27 344	7 625	1 748	488
	incl. the share of the owners of the parent company	27 352	7 114	1 748	455
	incl. the share of minority shareholders	8	-511	0	-33
	Net profit per share held by the owners of the parent company (basic and diluted; in kroons and euros)	1,16	0,45	0,07	0,03

		Consolidated (in EEK)		Consolidated (in EUR)	
		1 st half-year 2006	1 st half-year 2005	1 st half-year 2006	1 st half-year 2005
3	Net sales	539 788	440 059	34 499	28 125
	Cost of sales	-442 956	-341 163	-28 310	-21 804
	Gross profit	96 832	98 896	6 189	6 321
	Marketing expenses	-48 968	-44 566	-3 130	-2 848
	Administrative and general expenses	-31 481	-41 226	-2 012	-2 635
	Other revenue and expenses	18 317	2 546	1 171	162
	Operating profit	34 700	15 650	2 218	1 000
	Other financial income and expenses	-6 298	-7 656	-403	-489
	Net profit (loss) for the financial year	28 402	7 994	1 815	511
	incl. the share of the owners of the parent company	27 975	7 166	1 788	458
	incl. the share of minority shareholders	-427	-828	-27	-53
	Net profit per share held by the owners of the parent company (basic and diluted; in kroons and euros)	1,18	0,3	0,08	0,02

BALANCE SHEET

in thousands of kroons and euros

Note		Consolidated (in EEK)		Consolidated (in EUR)	
		31.12.2005	30.06.2005	31.12.2005	30.06.2005
	ASSETS				
	Current assets				
	Cash and cash equivalents	4 219	5 708	270	365
	Receivables	137 412	114 860	8 782	7 341
	Prepayments	1 637	1 367	105	87
	Inventories	87 642	106 541	5 601	6 809
	Total current assets	230 910	228 476	14 758	14 602
	Non-current assets				
	Long-term receivables	2 471	5 116	157	327
6	Investment property	186 130	200 578	11 896	12 819
7	Property, plant and equipment	346 927	347 316	22 173	22 198
8	Intangible assets	41	79	3	5
	Total non-current assets	535 569	553 089	34 229	35 349
	TOTAL ASSETS	766 479	781 565	48 987	49 951
	LIABILITIES AND OWNER'S EQUITY				
	Current liabilities				
9	Borrowings	97 581	119 416	6 237	7 632
	Prepayments received from customers	17 254	3 925	1 103	251
	Accounts payable and other payables	199 766	233 426	12 767	14 918
10	Provisions	0	5 000	0	320
	Total current liabilities	314 601	361 767	20 107	23 121
	Total non-current liabilities				
9	Borrowings	195 175	183 035	12 474	11 698
	Total non-current liabilities	195 175	183 035	12 474	11 698
	Total liabilities	509 776	544 802	32 581	34 819
	Minority interest	571	8 606	36	550
	Owner's equity				
11	Share capital	236 325	236 325	15 104	15 104
	Mandatory reserve	4 020	4 020	257	257
	Revaluation reserve	8 669	8 669	554	554
	Retained earnings	7 118	-20 857	455	-1 333
	Total owner's equity	256 703	236 763	16 406	15 132
	TOTAL LIABILITIES AND OWNER'S EQUITY	766 479	781 565	48 987	49 951

CASH FLOW STATEMENT

in thousands of kroons and euros

	Consolidated (in EEK)		Consolidated (in EUR)	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Cash flow from operating activities				
Operating profit	34 700	15 650	2 218	1 000
Adjustments of operating profit	31 853	17 223	2 036	1 101
Change in assets related to operating activities	16 733	66 412	1 069	4 245
Change in liabilities related to operating activities	-25 226	-34 783	-1 612	-2 223
Total cash flow from operating activities	58 060	64 502	3 711	4 123
Cash flow from investing activities				
Investments into subsidiaries	-8 872	-20 698	-567	-1 323
Proceeds from sale of non-current assets	26 922	30 127	1 721	1 925
Purchase of non-current assets	-34 814	-16 110	-2 225	-1 029
Loans granted	-15 568	0	-995	0
Interest received	721	0	46	0
Total cash flow from investing activities	-31 611	-6 681	-2 020	-427
Cash flow from financing activities				
Loan repayments	-6 231	-41 418	-398	-2 647
Loans received	4 968	2 562	319	163
Repayment of finance lease principal	-4 834	-6 040	-309	-386
Change in overdraft and other financial instruments	-13 730	-1 061	-878	-68
Interest paid	- 8 111	-7 531	-518	-481
Total cash flow from financing activities	-27 938	-53 488	-1 786	-3 419
Total cash flow	-1 489	4 333	-95	277
Cash and cash equivalents at the beginning of the period	5 708	2 780	365	178
Change in cash and cash equivalents	-1 489	4 333	-95	277
Effect of exchange rate changes				
Cash and cash equivalents at the end of the period	4 219	7 113	270	455

Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet.

STATEMENT OF CHANGES IN EQUITY

in thousands of kroons

Consolidated	Share capital	Mandatory reserve	Revaluation reserve	Retained earnings	Total owner's equity
30.06.2004	78 775	3 161	17 159	158 700	257 795
Goodwill	0	0	0	9 941	9 941
Profit for the period	0	0	0	7 166	7 166
31.12.2004	78 775	3 161	17 159	175 807	274 902
30.06.2005	236 325	4 020	8 669	-20 857	228 157
Profit for the period	0	0	0	27 975	27 975
31.12.2005	236 325	4 020	8 669	7 118	256 132

in thousands of euros

Consolidated	Share capital	Mandatory reserve	Revaluation reserve	Retained earnings	Total owner's equity
30.06.2004	5 035	202	1 097	10 142	16 476
Goodwill	0	0	0	635	635
Profit for the period	0	0	0	458	458
31.12.2004	5 035	202	1 097	11 235	17 569
30.06.2005	15 104	257	554	-1 333	14 582
Profit for the period	0	0	0	1 788	1 788
31.12.2005	15 104	257	554	455	16 370

NOTES TO THE FINANCIAL STATEMENTS**Note 1 Background information**

AS Kalev is an Estonian company whose shares have been listed in the secondary list of the Tallinn Stock Exchange. Kalev Group pursues the manufacturing and sale of various foodstuffs, and real estate development.

Note 2 Accounting principles and basis of estimations**A. Basis of preparation**

The consolidated interim financial statements of Kalev Group have been prepared in accordance with the International Financial Reporting Standards (IFRS), which include the International Accounting Standards approved by the International Accounting Standards Board (IASB) and their interpretations, as well as the International Accounting Standards approved by the International Accounting Standards Committee (IASC) and the interpretations of the Interpretation Committee, established for the financial period that commenced on 1 July 2004.

The Estonian kroon is the underlying currency of the consolidated financial statements. 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 = 15.6466 EEK).

B. Changes in accounting principles and comparative data

The financial statements are prepared based on the principle of consistency and comparability. This means that the same accounting principles and presentation formats are used by the Group on an on-going basis in preparation of financial statements. Changes will be introduced to the accounting principles only if so conditioned by the new or amended IFRS, or if the new accounting principles and/or presentation formats give a more objective overview of the financial position and economic results of the Group and the parent company, as well as their cash flows.

The accounting principles used upon the preparation of these financial statements differ from those used last year, which arise from the "stable platform" IAS 27 (accounting for equity participation) standards and the implementation of which is mandatory for the Group during reporting periods commencing on 1 January 2005 or later.

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.

C. Consolidation principles

The consolidation group (for the purposes of these statements, also the Group) consists of the parent company and the subsidiary – i.e. a company 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.

Subsidiaries are consolidated from the day of their acquisition until the day they are sold, or until control over the particular subsidiary is waived. The subsidiaries' financial statements which are used as basis for consolidation have been prepared on the same period with those of the parent company, and by using the same accounting principles.

All intra-group receivables and payables, as well as the unrealised profit and loss arising from transactions between the Group companies (except in case of loss arising from decrease in net asset value) have been eliminated from the consolidated financial statements.

Minority interest – the share of the subsidiary's profit, loss and net assets which do not belong to the Group, are recorded under a separate entry in the consolidated income statement and balance sheet.

Note 3 Segment information**Main format - business segments**

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

in thousands of kroons

	Confectionery products		Baked goods		Dairy products		Real estate		TOTAL	
	2006 2nd q	2005 2nd q	2006 2nd q	2005 2nd q	2006 2nd q	2005 2nd q	2006 2nd q	2005 2nd q	2006 2nd q	2005 2nd q
Extra-group customers:										
- revenue	109539	106228	27496	18968	118046	99679	56538	40276	311619	265151
- other income	971	2 831	37	17	415	168	11 504	130	12 927	3 146
Total segment revenue	110 510	109059	27533	18985	118461	99847	68042	40406	324546	268297
Segment gross profit	26 382	20 405	4 288	1 899	-11 762	-4 233	21383	10 618	40 291	28 689
Joint expenses									-10 624	-16773
Operating profit/loss									29 668	11 916
Financial income and expenses									-2 324	-4 291
Minority interest	0	0	8	-511	0	0	0	0	8	-511
Net profit/loss for the financial year									27 352	7 114

in thousands of kroons

	Confectionery products		Baked goods		Dairy products		Real estate		TOTAL	
	2006 1st h-y	2005 1st h-y	2006 1st h-y	2005 1st h-y	2006 1st h-y	2005 1st h-y	2006 1st h-y	2005 1st h-y	2006 1st h-y	2005 1st h-y
Extra-group customers:										
- revenue	184522	173825	46320	36984	237422	179082	71524	50168	539788	440059
- other income	1175	2834	76	36	2417	168	13474	3020	17142	6058
Total segment revenue	185697	176659	46396	37020	239839	179250	84998	53188	556930	446117
Segment gross profit	20456	37302	5 106	-926	-17048	-1 928	47200	16484	55 714	50 932
Joint expenses									-21014	-35282
Operating profit/loss									34 700	15 650
Financial income and expenses									-6 298	-7 656
Minority interest	0	0	-427	-828	0	0	0	0	-427	-828
Net profit/loss for the financial year									27 975	7 166

in thousands of euros

	Confectionery products		Baked goods		Dairy products		Real estate		TOTAL	
	2006 2nd q	2005 2nd q	2006 2nd q	2005 2nd q	2006 2nd q	2005 2nd q	2006 2nd q	2005 2nd q	2006 2nd q	2005 2nd q
Extra-group customers:										
- revenue	7001	6 789	1 757	1 212	7 545	6 371	3 613	2 574	19916	16946
- other income	62	181	2	1	26	11	735	8	825	201
Total segment revenue	7 063	6 970	1 759	1 213	7 571	6 382	4 348	2 582	20741	17147
Segment gross profit	1686	1 304	274	121	-751	-270	1 367	679	2576	1 834
Joint expenses									-680	-1072
Operating profit/loss									1 896	762
Financial income and expenses									-148	-274
Minority interest	0	0	0	-33	0	0	0	0	0	-33
Net profit/loss for the financial year									1 748	455

in thousands of euros

	Confectionery products		Baked goods		Dairy products		Real estate		TOTAL	
	2006 1st h-y	2005 1st h-y	2006 1st h-y	2005 1st h-y	2006 1st h-y	2005 1st h-y	2006 1st h-y	2005 1st h-y	2006 1st h-y	2005 1st h-y
Extra-group customers:										
- revenue	11794	11109	2960	2 365	15174	11445	4571	3206	34499	28125
- other income	75	181	5	2	154	11	861	193	1 096	387
Total segment revenue	11869	11290	2965	2367	15329	11456	5432	3399	35594	28512
Segment gross profit	13089	2384	326	-59	-1090	-123	3017	1053	3 561	3255
Joint expenses									-1343	-2255
Operating profit/loss									2 218	1 000
Financial income and expenses									-403	-489
Minority interest	0	0	-27	-53	0	0	0	0	-27	-53
Net profit/loss for the financial year									1 788	458

Net sales by markets

in thousands of kroons and euros

	Consolidated (in EEK)	Consolidated (in EEK)	Consolidated (in EUR)	Consolidated (in EUR)
	01.10.05- 31.12.2005	01.10.04- 31.12.2004	01.10.05- 31.12.2005	01.10.04- 31.12.2004
Estonia	191 569	179 728	12 243	11 487
Other Baltic States	8 499	5 728	543	366
Scandinavia	3 722	20 276	238	1 296
Other EU member states	94 514	49 713	6 041	3 177
Other	13 315	9 706	851	620
TOTAL	311 619	265 151	19 916	16 946

	Consolidated (in EEK)	Consolidated (in EEK)	Consolidated (in EUR)	Consolidated (in EUR)
	01.07.05- 31.12.2005	01.07.04- 31.12.2004	01.07.05- 31.12.2005	01.07.04- 31.12.2004
Estonia	308 503	275 178	19 718	17 587
Other Baltic States	13 712	10 318	876	660
Scandinavia	8 702	29 012	556	1 854
Other EU member states	193 038	114 335	12 337	7 307
Other	15 833	11 216	1 012	717
TOTAL	539 788	440 059	34 499	28 125

Note 4 Personnel expenses

The Group laid off a total of 35 employees between 1 July 2005 and 31 December 2005, with redundancy compensations amounting to a total of 353 thousand kroons (23 thousand euros). In the comparative period, 32 employees were laid off, with redundancy compensations totalling 710 thousand kroons (45 thousand euros).

Note 5 Earnings per share

in thousands of kroons and euros

	Consolidated (in EEK)	Consolidated (in EEK)	Consolidated (in EUR)	Consolidated (in EUR)
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Net profit / loss	27 975	7 166	1 788	458
Weighted average number of shares in the period (thousands of units)	23 633	23 633	23 633	23 633
Earnings per share (EPS)	1,18	0,3	0,08	0,02

As the Group has no contingently issuable common shares, diluted EPS equals to basic EPS.

Note 6 Investment property

in thousands of kroons

Consolidated	Investments	Prepayments for investments	Total
Net book value 30.06.2005	165 768	34 810	200 578
Acquisitions	20 518	1 300	21 818
Prepayments for investments	29 662	-29 662	0
Change in the fair value	1 949	0	1 949
Reclassification from non-current assets	3 038	0	3 038
Disposals	-41 253	0	-41 253
Net book value 31.12.2005	179 682	6 448	186 130

in thousands of euros

Consolidated	Investments	Prepayments for investments	Total
Net book value 30.06.2005	10 594	2 225	12 819
Acquisitions	1 311	84	1 395
Prepayments for investments	1 897	-1 897	0
Change in the fair value	125	0	125
Reclassification from non-current assets	194	0	194
Disposals	-2 637	0	-2 637
Net book value 31.12.2005	11 484	412	11 896

Note 7 Property, plant and equipment

in thousands of kroons

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction-in-progress	TOTAL
Acquisition cost 30.06.05	11 486	263 196	147 784	18 493	8 216	449 175
Accumulated depreciation 30.06.2005	0	-18 754	-71 521	-11 349	-235	-101 859
Net book value 30.06.2005	11 486	244 442	76 263	7 144	7 981	347 316
Acquisitions	0	6 479	6 734	2 578	2 006	17 797
Disposals	0		- 1 281	-10		-1 291
Reclassification	0	52	6 232	29	-6 910	-597
Reclassification into investment property (Note 6)	0	-3 038	0	0	0	-3 038
Depreciation	0	-3 829	-7 258	-1 258	0	-12 345

Net book value 31.12.2005	11 486	244 105	79 626	8 633	3 077	346 927
Acquisition cost 31.12.05	11 486	266 688	156 620	21 090	3 312	459 196
Accumulated depreciation 31.12.2005	0	-22 583	-76 994	-12 457	-235	-112 269

in thousands of euros

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction-in-progress	TOTAL
Acquisition cost 30.06.05	734	16 821	9 445	1 182	525	28 708
Accumulated depreciation 30.06.2005	0	- 1 199	-4 571	-725	-15	-6510
Net book value 30.06.2005	734	15 623	4 874	457	510	22 198
Acquisitions	0	414	430	165	128	1 137
Disposals	0		-82	-1		-83
Reclassification	0	3	398	2	-442	-39
Reclassification into investment property (Note 6)	0	-194	0	0	0	-194
Depreciation	0	-245	-464	-80	0	-789
Net book value 31.12.2005	734	15 602	5 089	552	197	22 173
Acquisition cost 31.12.05	734	17 045	10 010	1 347	212	29 348
Accumulated depreciation 31.12.2005	0	-1 443	-4 921	-796	-15	-7 175

Note 8 Intangible assets

in thousands of kroons and euros

	Consolidated (in EEK)	Consolidated (in EUR)
	Other intangible assets	Other intangible assets
Acquisition cost 30.06.05	359	23
Accumulated depreciation 30.06.2005	-280	-18
Net book value 30.06.2005	79	5
Depreciation	-38	-2
Net book value 31.12.2005	41	3
Acquisition cost 31.12.05	359	23
Accumulated depreciation 31.12.2005	-318	-20

Note 9 Borrowings

in thousands of kroons and euros

	Consolidated (in EEK)		Consolidated (in EUR)	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Overdraft	37 459	43 419	2 394	2 775
Bonds	23 804	0	1 521	0
Bank loans	24 292	22 142	1 553	1 415
Stock financing, factoring	8 567	4 772	548	305
Finance lease liabilities	3 459	7 019	221	449
Total current liabilities	97 581	77 352	6 237	4 944
Long-term bank loans	84 755	29 085	5 417	1 859
Long-term finance lease liabilities	110 420	107 951	7 057	6 899
Total non-current liabilities	195 175	137 036	12 474	8 758

Note 10 Provisions

At the end of the financial year 2004/2005, the Group subsidiary AS Kalev Paide Tootmine established a provision in the amount of 5,000 thousand kroons (320 thousand euros) in order to cover the potential loss arising from the unfavourable market situation for dairy products as well as the raw milk buying-in contracts until December 2005. The provision was recorded under "Other income and expenses", accordingly.

Note 11 Share capital

in kroons and euros

	Consolidated (in EEK)		Consolidated (in EUR)	
	31.12.2005	30.06.2005	31.12.2005	30.06.2005
Number of common shares (in thousands of units)	23 633	23 633	23 633	23 633
Nominal value	10	10	0,64	0,64

According to the Articles of Association, the company can increase its share capital to 31,510,000 shares.

Note 12 Related party transactions**Transactions with the companies related to the Management Board of Kalev Ltd**

in thousands of kroons and euros

	Consolidated (in EEK)		Consolidated (in EUR)	
	01.07.2005- 31.12.2005	01.07.2004- 31.12.2004	01.07.2005- 31.12.2005	01.07.2004- 31.12.2004
Goods and services purchased				
Balance at the beginning of the period	26 974	1 662	1 724	106
Services	15 984	267 211	1 022	17 078
Goods	72 455	64 511	4 631	4 123
Balance at the end of the period	448	4 637	29	296
Goods and services sold				
Balance at the beginning of the period	3 168	23 917	202	1 529
Services	172	709	11	45
Goods	64 230	143 222	4 105	9 154
Balance at the end of the period	214	13 124	14	839

Most of the purchase and sales transactions were concluded with Tallina Piimatööstuse AS. AS Kalev has purchased raw milk and sold dairy products.

Services have mostly been outsourced from Tööstuse Teenindamise AS under the Group equipment maintenance contract concluded with the company.

The Group has supported non-profit associations related to the Chairman in the amount of 290 thousand kroons (19 thousand euros) – cf. 1,011 thousand kroons (65 thousand euros) in the comparative period.

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