



3-MONTH INTERIM FINANCIAL STATEMENTS

Beginning of the period: 1 July 2006

End of the period: 30 September 2006

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1. COMMENTS ON ECONOMIC ACTIVITIES

The AS Kalev Group is engaged in three principal areas of activity: production and sale of chocolate, sugar and flour confectionary products, production and sale of dairy products, and real estate development and management. The production activity of the undertaking is carried out in five production units located at Põrguvälja in the vicinity of Tallinn, in Paide, Viljandi, Jõhvi, and Kiviõli. The pan-Estonian retail chain of AS Kalev includes 15 candy stores and cafes.

The company's structure was supplemented by a new subsidiary in the first quarter of the financial year 2006/2007. AS Kalev Real Estate Company (AS Kalev REC) acquired the private limited company BCA Center; the share capital of the acquired company constitutes 40,000 EEK and it is 100% owned by AS Kalev REC. Through OÜ BCA Center, AS Kalev REC participated in the Tallinn Schools Private Partnership Project competition. Having won the competition, OÜ BCA Center has the obligation to reconstruct the real estate objects included in the Project, maintain the said objects during the term of agreement (operation, cleaning), and support their repairs. The investment obligation is supported by AS Kalev REC, and the obligation has to be met in the second half of 2008, at the latest.

The parent company of the AS Kalev Group is AS Kalev; besides, the Group includes another eleven subsidiaries. As at 30.09.2006, AS Kalev had a qualifying holding in the following companies:

| Subsidiary | Location | As at 30.09.2006 | as at 30.09.2005 |
|---|----------|------------------|------------------|
| AS Kalev Paide Tootmine | Estonia | 100% | 100% |
| AS Valmetek Invest | Estonia | 31% | 0% |
| AS Kalev Jõhvi Tootmine | Estonia | 99.10% | 99.10% |
| AS Vilma | Estonia | 100% | 100% |
| AS Kalev Real Estate Company (AS Kalev REC) | Estonia | 100% | 100% |
| EOOD Stude REC | Bulgaria | 100% | 0% |
| OÜ BCA Center | Estonia | 100% | 0% |
| OÜ Maiasmokk | Estonia | 81.26% | 81.26% |
| AS Kalev Chocolate Factory | Estonia | 100% | 0% |
| AS Kalev Merchant Services Ltd | USA | 100% | 100% |
| OÜ Sugarstar | Estonia | 100% | 0% |

1.1. Economic results

The following essential indicators characterise the first quarter of the financial year 2006/2007 compared to the same period of the previous financial year:

thousand EEK and EUR

| | % | EEK | EUR |
|--|-------|---------|--------|
| Growth of sales revenue | -16.3 | -37 194 | -2 377 |
| Growth of operating profit | 252.5 | -12 704 | -812 |
| Growth of sales revenue in domestic market | -10.4 | -12 176 | -778 |
| Growth of export sales | -22.5 | -25 018 | -1 599 |

In the first quarter of the financial year 2006/2007, of AS Kalev employed an average of 786 people, with an average of 772 employees in the comparative period of the previous financial year.

The following tables provide the total net sales and net profit of the companies of the group of AS Kalev for the first three months of the financial year of 2006/2007 (thousand EEK and EUR). The data are provided in respect of eight companies. Consolidated AS Kalev Paide Tootmine and AS Kalev Real Estate Company. AS Kalev Merchant Services Ltd has not been consolidated since its total assets constitute under 0.5% of the parent company's sales.

| EEK | Net sales | | Net profit | |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2006/2007 3 months | 2005/2006 3 months | 2006/2007 3 months | 2005/2006 3 months |
| AS Kalev | 142 217 | 87 159 | -7 629 | -1 708 |
| AS Kalev Chocolate Factory | 59 808 | 0 | 1 050 | 0 |
| AS Kalev Paide Tootmine* | 92 173 | 119 841 | -2 485 | -4 571 |
| AS Kalev REC* | 6 411 | 14 986 | -824 | 7 908 |
| AS Kalev Jõhvi Tootmine | 7 480 | 8 385 | -1 014 | -56 |
| OÜ Maiasmokk | 2 344 | 1 787 | 235 | -103 |
| AS Vilma | 5 711 | 10 083 | 490 | 1 047 |
| OÜ Sugarstar | 203 | 0 | -178 | 0 |

* consolidated

| EUR | Net sales | | Net profit | |
|----------------------------|-----------|-----------|------------|-----------|
| | 2006/2007 | 2005/2006 | 2006/2007 | 2005/2006 |
| | 3 months | 3 months | 3 months | 3 months |
| AS Kalev | 9 089 | 5 570 | -488 | -109 |
| AS Kalev Chocolate Factory | 3 822 | 0 | 67 | 0 |
| AS Kalev Paide Tootmine* | 5 891 | 7 659 | -159 | -292 |
| AS Kalev REC* | 410 | 958 | -53 | 505 |
| AS Kalev Jõhvi Tootmine | 478 | 536 | -65 | -4 |
| OÜ Maiasmokk | 150 | 114 | 15 | -7 |
| AS Vilma | 365 | 644 | 31 | 67 |
| OÜ Sugarstar | 13 | 0 | -11 | 0 |

* consolidated

The consolidated net sales of AS Kalev for the first three months of the financial year of 2006/2007 amounted to 191 million EEK (12.2 million EUR), which means a reduction of 16.3% in respect of the compared period. The consolidated net loss for the first quarter of the current financial year formed 13,657 thousand EEK (874 thousand EUR), the net profit of the compared period was 623 thousand EEK (40 thousand EUR). Although the sales decreased and the economic activity during the first three months of the financial year generated loss, there were positive changes in the production structure and operation of the product portfolio that should be mentioned. The negative result of the dairy products segment has decreased by more than a half, although the sales of this sector dropped by twenty five per cent compared to the first quarter of the previous year. The most important change happened in the result of confectionery products where the loss of the compared period has turned into profit at the beginning of the current financial year, and the sales have grown as well. Also, the efficiency of the flour confectionery segment has considerably improved.

Marketing costs for the first quarter of the financial year of 2006/2007 increased by 10% compared to the same period of the previous year; they include extra costs related to changes in the group structure as well as in the development of the product portfolio. However, compared to the previous quarter, marketing costs have decreased by 18%. The overhead costs of the period in question increased by 13.6% compared to the first quarter of the previous year.

Essential financial ratios of the group of AS Kalev*

| | Group | |
|---------------------------|---------------------------|--------------------------|
| | 01.07.2006- 30.09.2006 | 01.07.2005 30.09.2005 |
| Current ratio | 0.78 | 0.66 |
| Debt ratio | 0.72 | 0.29 |
| Asset turnover ratio | 0.18 | 0.71 |
| Net profit margin (%) | -7.2% | 0.5% |
| Return on assets, ROA (%) | -1.3% | 0.1% |

* The ratios have been calculated applying the following methods:

Liquidity ratio = Current assets / Short-term liabilities

Financial leverage = Total liabilities / Average total assets

Asset turnover = Sales / Average total assets

Return on sales = Net profit / Sales revenue * 100%

Return on assets (ROA) = Net profit / Average total assets * 100%

1.2 Product market and sale

1.2.1. Confectionery products

AS Kalev continues to be a strong leader of the Estonian market of chocolate and sugar confectionery products. According to the retail survey conducted by the research company AC Nielsen Eesti, the market share of AS Kalev in the sector of chocolate and sugar confectionery products is 42%.

The sales of confectionery products in the first quarter of the financial year of 2006/2007 grew by nearly a per cent compared to the same period of the previous year and amounted to 81 million EEK (4.7 million EUR). A number of new conventional assortment products have been offered to consumers. The series of Kalev 200-gram chocolate bars was supplemented by white chocolate with blown rice and blueberries. A new product was introduced to the market - milk chocolate with the pieces of biscuit and plums. The series of praline candies were supplemented by 150-gram collection and cashew nut praline chocolate boxes. Also, a Bitter chocolate bar, which is supplied to the Estonian market, is new.

As to baked products, 9 bread and white bread products of different flavours under the name of "Linda" and "Kalevipoeg" were introduced to the market. A new flour confectionery product is Vilma buckwheat pancake flour. Packages of AS Vilma flour mixes have been renewed, while the last change was made to the package of Vilma icing sugar.

In product development, strong emphasis is made on the extension of best before periods. As a result, the best before term of marzipan bars, for example, has extended.

1.2.2. Dairy products

From crude milk supplied by AS Kalev Paide Tootmine mainly whole milk and skimmed milk powder as well as cream was produced. In smaller quantities, butter and high-temperature pasteurised milk and a minor quantity of cream powder were produced. The produce of the undertaking is mainly marketed in the European Union. In the first quarter of the current financial year the price of skimmed-milk powder increased by 4.5% compared to the previous quarter as well as to the same period of the previous year; also, a moderate growth of whole milk powder was noted at the end of the quarter (1% compared to the previous quarter). From October this year a certain increase in the butter price has taken place. Due to a high world market price of skimmed-milk powder no grants from the EU were paid on skimmed-milk powder export, and the amount of grants for butter and whole milk powder was 99.5€/100kg and 54.0€/100kg respectively. Thus, no considerable changes have occurred in respect of grants compared to the previous quarter. According to the data of the Statistical Office, the average buying-in price of crude milk dropped 0.19 EEK/kg (nearly 5%) compared to the same period of the previous year. The continuous rise in the price of thermal energy constituted a negative factor.

1.3. Sale of products

The total sales of various confectionery and dairy products of the group of AS Kalev in the first quarter of the financial year of 2006/2007 was 5,940 tons, i. e. in volume, nearly 10 per cent less than for the same period of the previous year. The most considerable decrease in the sales affected the segment of dairy products. Of the sold products, 49% were sold in the domestic market and 51% in different export markets.

The sales volume of confectionery products, i. e. chocolate and sugar confectionery products for the first three months of the current financial year reached 1,400 tons, i. e. the sales of these products maintained the same level compared to the same period of the previous financial year. Of the most important product groups, the sales of boxes of chocolates and drops increased the most (17% and 9% respectively). On the contrary, the sales of candy decreased by 5% compared to the same period of the previous financial year. Of the total sales of confectionery products, the sales in the domestic market constituted 84%, and 16% of the products were exported. During the period in question, export of chocolate and sugar confectionery products to Russia formed 41%, to Latvia - 36%, Ukraine - 9%, Lithuania - 5%, and to the remaining countries 9%. Total export of confectionery products decreased by 8% compared to the first three months of the previous financial year.

The total sales of flour confectionery products of the group of AS Kalev, incl. baked products and biscuits, reached 940 tons in the first quarter of the financial year of 2006/2007; compared to the same period of the previous financial year the sales dropped 18%. As the sales of bakery products increased by 10% compared to the first quarter of the previous financial year, the sales of baked products, biscuits and flour confectionery products decreased. The share of exported flour confectionery products formed 1% of their sales, bakery products - 6%, and biscuits - under 1% of their sales. The main export country of flour confectionery products was Latvia; small quantities of the products were also exported to Lithuania and Germany.

AS Kalev sold a total of 3,600 tons of dairy products (skimmed milk and milk powder, high-temperature pasteurised milk, and butter) in the first quarter of the current financial year, which is 13% less than during the same period of the previous financial year. Of the sales volume of the named products, 81% were exported to various EU countries. Germany was continuously the most important export destination for dairy products, with 65% of total sales volume realised in this country.

1.4. Real estate business

AS Kalev's subsidiary AS Kalev Real Estate Company engaged in real estate management and development continues a further development of previous real estate projects. During the first months of the current financial year, the most active development activity was carried out at the registered immovable in Tallinn at Tervise 5, which presently is the biggest real estate project. Preparations have been made for the sales process of premises of two apartment buildings – an apartment building with 19 apartments in Tallinn in Marati street and an apartment building with 25 apartments in Pärnu in Hommiku street.

2. INTERIM FINANCIAL STATEMENTS

DECLARATION BY THE MANAGEMENT BOARD

The Management Board of AS Kalev herewith declares its liability for the truth of the interim financial statements of AS Kalev presented on pages 9 to 23 prepared for the first quarter of the financial year of 2006/2007 and confirms to its best knowledge that:

- The accounting policies applied in preparing the interim financial statements comply with the International Financial Reporting Standards as approved by the European Union;
- The interim report presents a true and fair view of the financial standing, economic results, and cash flows of AS Kalev;
- All the known and relevant circumstances, which have become evident until the completion date of the statements, have been duly taken into account and presented in the interim financial statements;
- AS Kalev is a going concern.

These financial statements have not been audited or reviewed in any other manner by the auditors.

Põrguvälja, 27 November 2006



Oliver Kruuda
Manager

INCOME STATEMENT

thousand EEK and EUR

Note
s

| | Consolidated EEK | | Consolidated EUR | |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | 3 months of fin. year 2007 | 3 months of fin. year 2006 | 3 months of fin. year 2007 | 3 months of fin. year 2006 |
| 3 Sales revenue | 190 975 | 228 169 | 12 206 | 14 583 |
| Cost of sales | -157 044 | -189 510 | -10 037 | -12 112 |
| Gross profit | 33 931 | 38 659 | 2 169 | 2 471 |
| Marketing costs | -24 167 | -21 866 | -1 545 | -1 397 |
| Overhead costs | -17 361 | -15 279 | -1 110 | -977 |
| Other operating income and expenses | -75 | 3 518 | -5 | 225 |
| Operating profit | -7 672 | 5 032 | -490 | 322 |
| Other financial income and expenses | -5 994 | -3 974 | -383 | -254 |
| Profit (loss) before minority holding | -13 666 | 1 058 | -873 | 68 |
| Minority interest | 9 | -435 | 1 | -28 |
| Net profit (-loss) for the financial year | -13 657 | 623 | -873 | 40 |
| Net earnings per parent company owners' share (ordinary and diluted share in kroons and euros) | -0.58 | 0.03 | -0.04 | 0.00 |

BALANCE SHEET

thousand EEK and EUR

| Notes | Consolidated EEK | | Consolidated EUR | |
|-----------------------------------|------------------|------------------|------------------|---------------|
| | 30.09.2006 | 30.06.2006 | 30.09.2006 | 30.06.2006 |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and equivalents | 4 541 | 10 080 | 290 | 644 |
| Receivables | 170 981 | 134 930 | 10 928 | 8 624 |
| Prepayments | 1 933 | 1 715 | 124 | 110 |
| Inventories | 244 733 | 240 334 | 15 641 | 15 360 |
| Total current assets | 422 188 | 387 059 | 26 983 | 24 738 |
| Fixed assets | | | | |
| Long-term receivables | 7 230 | 7 230 | 462 | 462 |
| 6 Real estate investments | 105 801 | 89 944 | 6 762 | 5 748 |
| 7 Tangible fixed assets | 550 403 | 545 840 | 35 177 | 34 886 |
| 8 Intangible fixed assets | 4 554 | 4 560 | 291 | 291 |
| Total fixed assets | 667 988 | 647 574 | 42 692 | 41 388 |
| TOTAL ASSETS | 1 090 176 | 1 034 633 | 69 675 | 66 125 |
| LIABILITIES AND OWNERS' EQUITY | | | | |
| Short-term liabilities | | | | |
| 9 Debts | 215 025 | 240 464 | 13 743 | 15 368 |
| Customer prepayments | 31 080 | 27 821 | 1 986 | 1 778 |
| Supplier payables and other debts | 291 692 | 286 717 | 18 643 | 18 325 |
| 10 Provision | 1 600 | 3 200 | 102 | 205 |
| Total short-term liabilities | 539 397 | 558 202 | 34 474 | 35 676 |
| Long-term liabilities | | | | |
| 9 Debts | 220 922 | 132 908 | 14 119 | 8 494 |
| Total long-term liabilities | 220 922 | 132 908 | 14 119 | 8 494 |
| Total liabilities | 760 319 | 691 110 | 48 593 | 44 170 |
| Minority interest | 79 | 88 | 5 | 6 |
| Owners' equity | | | | |
| 11 Share capital | 236 325 | 236 325 | 15 104 | 15 104 |
| Legal reserve | 4 020 | 4 020 | 257 | 257 |
| Revaluation reserve | 122 794 | 122 794 | 7 848 | 7 848 |
| Retained earnings | -33 361 | -19 704 | -2 132 | -1 259 |
| Total owners' equity | 329 778 | 343 435 | 21 077 | 21 949 |

| | | | | |
|---|-----------|-----------|--------|--------|
| TOTAL LIABILITIES, MINORITY INTEREST AND OWNERS' EQUITY | 1 090 176 | 1 034 633 | 69 675 | 66 125 |
|---|-----------|-----------|--------|--------|

CASH FLOW STATEMENT

thousand EEK and EUR

| | Consolidated EEK | | Consolidated EUR | |
|---|------------------|----------------|------------------|---------------|
| | 30.09.2006 | 30.09.2005 | 30.09.2006 | 30.09.2005 |
| Operations | | | | |
| Operating profit | -7 672 | 5 032 | -490 | 322 |
| Operating profit adjustments | 5 246 | -5 889 | 335 | -376 |
| Change in assets related to operations | -26 440 | -23 767 | -1 690 | -1 519 |
| Change in liabilities related to operations | 3 985 | 18 590 | 255 | 1 188 |
| Total cash flows from operations | -24 881 | -6 034 | -1 590 | -386 |
| Investments | | | | |
| Acquisition of subsidiaries | -1 597 | 0 | -102 | 0 |
| Receipts from fixed assets | 160 | 897 | 10 | 57 |
| Acquisition of fixed assets | -25 829 | -15 673 | -1 651 | -1 002 |
| Granting of loans | -14 401 | 200 | -920 | 13 |
| Collection of Loans | 2 420 | 0 | 155 | 0 |
| Interest earned | -556 | -1 065 | -36 | -68 |
| Total cash flows from investment | -39 803 | -15 641 | -2 544 | -1 000 |
| Financing | | | | |
| Loan and securities repayments | -44 209 | -4 523 | -2 825 | -289 |
| Loans received and securities issued | 123 815 | 12 168 | 7 913 | 778 |
| Finance lease principal payments | -17 722 | -2 833 | -1 133 | -181 |
| Change in overdraft and other financial instruments | 690 | 15 625 | 44 | 999 |
| Interest paid | -3 428 | -2 291 | -219 | -146 |
| Total cash flows from financing | 59 146 | 18 146 | 3 780 | 1 160 |
| Total cash flows | -5 538 | -3 529 | -354 | -226 |
| Cash and equivalent at the beginning of period | 10 080 | 5 708 | 644 | 365 |
| Change in cash and equivalent | -5 538 | -3 529 | -354 | -226 |
| Cash and equivalent at the end of period | 4 541 | 2 179 | 290 | 139 |

Cash and equivalents in the cash flow statement equal cash and equivalents recognised in the balance sheet.

STATEMENT OF CHANGES IN OWNERS' EQUITY

(thousand EEK)

| Consolidated | Share capital | Legal reserve | Revaluation reserve | Retained earnings | Total owners' equity |
|-------------------------------------|---------------|---------------|------------------------|----------------------|-------------------------|
| 30.06.2005 | 236 325 | 4 020 | 8 669 | -20 857 | 228 157 0 |
| Profit for the accounting period | 0 | 0 | 0 | 623 | 623 |
| 30.09.2005 | 236 325 | 4 020 | 8 669 | -20 234 | 228 780 |
| 30.06.2006 | 236 325 | 4 020 | 116 315 | -13 225 | 343 435 |
| Profit for the accounting period | 0 | 0 | 0 | -13 657 | -13 657 |
| 30.09.2006 | 236 325 | 4 020 | 116 315 | -26 882 | 329 778 |

thousand EUR

| Consolidated | Share capital | Legal reserve | Revaluation reserve | Retained earnings | Total owners' equity |
|-------------------------------------|---------------|---------------|------------------------|----------------------|-------------------------|
| 30.06.2005 | 15 104 | 257 | 554 | -1 333 | 14 582 |
| Profit for the accounting period | 0 | 0 | 0 | 40 | 40 |
| 30.09.2005 | 15 104 | 257 | 554 | -1 293 | 14 622 |
| 30.06.2006 | 15 104 | 257 | 7 434 | -845 | 21 949 |
| Profit for the accounting period | 0 | 0 | 0 | -873 | -873 |
| 30.09.2006 | 15 104 | 257 | 7 434 | -1 718 | 21 077 |

NOTES TO FINANCIAL STATEMENTS

Note 1 General information

AS Kalev is an undertaking founded in Estonia; its shares are listed in the Tallinn Stock Exchange investor list. The principal areas of activity of the Group are production and sale of various foodstuffs and real estate development.

Note 2 Accounting policies and valuation principles

A Principles of preparing the financial statements

The consolidated interim financial statements of the Group have been prepared in compliance with the International Financial Reporting Standards (IFRS), containing the standards and interpretations approved by the International Financial Reporting Standards Board and international accounting standards approved by the International Accounting Standards Committee, and interpretations of the Interpretation Committee applicable for the accounting periods commenced on 1 July 2004.

The base currency of the consolidate statements is the Estonian kroon. In these financial statements, the financial indicators have also been presented in euros, which have been converted from the original financial indicators in Estonian kroons, for the purpose of better understanding and based on the requirements of the rules of the Tallinn Stock Exchange. Since the fixed exchange rate of the Estonian kroon and Euro is 1 euro = 15.6466 kroons, no exchange gaps occur in the translation of currencies.

B Changes of accounting policies and comparative data

Financial statements are prepared on the basis of the principle of consistency and comparability, which means that the Group continuously applies the same accounting policies and presentation modes. Changes in the accounting policies and presentation modes are introduced only if such changes are conditioned by a new or amended IFRS standard or if a new accounting policy and/or presentation mode provide a more objective survey of the financial standing, economic results and cash flows of the Group and parent company.

The accounting policies applied in preparing these financial statements differ from those applied in preparing the financial statements for the previous year, which arise from the "stable platform" IAS 27 (presentation of equity) standards and the application of which is mandatory for the Group in respect of the accounting periods commenced on 01 January 2005 or later.

These financial statements do not include the financial indicators of AS Kalev Merchant Services Ltd since the total assets of the subsidiary constitute under 0.5% of the parent company's sales. The comparative data have not been adjusted since the financial indicators of the said subsidiary make no considerable impact on the financial indicators of the Group.

C Consolidation principles.

A parent company and a subsidiary, i. e. an undertaking where the parent company controls over a half of the subsidiary's voting shares or stock, or is capable of controlling the financial and business activity of the subsidiary in any other manner, form a consolidated group (in these financial statements also named the Group).

Subsidiaries are consolidated from the day of their acquisition until sale thereof, i. e. until the day when control is assigned. The financial reports of subsidiaries serving as the basis at consolidation have been prepared for the same period as the annual accounts of the parent company and by applying the same accounting policies with the parent company.

In the consolidated financial statements, all intra-Group claims and liabilities, transactions between the undertakings of the Group and unrealised profit and loss generated on their result, except for the loss due to the drop in asset value, have eliminated.

Minority holding, which is a share in the subsidiary's profit or loss, and net assets, which are not owned by the Group, are consolidated in the income statement and balance sheet on a separate line.

Note 3 Reporting of the Group' segments

thousand EEK

| | Confectionery products | | Flour confectionery products | | Dairy products | | Real estate | | Total | |
|--|------------------------|---------------|------------------------------|---------------|----------------|----------------|--------------|---------------|----------------|----------------|
| | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| External clients | | | | | | | | | | |
| sales revenue | 80 526 | 79 739 | 18 866 | 19 843 | 89 864 | 115 459 | 1 435 | 9 744 | 190 691 | 224 785 |
| other operating income | 203 | 204 | 0 | 39 | 82 | 2 002 | 0 | 1 139 | 285 | 3 384 |
| Income from other segments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total segment income | 80 729 | 79 943 | 18 866 | 19 882 | 89 946 | 117 461 | 1 435 | 10 883 | 190 976 | 228 169 |
| Segment result | 4 706 | -5 926 | 3 696 | 818 | -2 400 | -5 286 | 1 037 | 25 817 | 7 039 | 15 423 |
| Joint operating expense | | | | | | | | | -14 711 | -10 391 |
| Operating profit/loss | | | | | | | | | -7 672 | 5 032 |
| Financial income and expenses | | | | | | | | | -5 994 | -3 974 |
| Profit before minority interest | | | | | | | | | -13 666 | 1 058 |
| Minority interest | 0 | 0 | 9 | -435 | 0 | 0 | 0 | 0 | 9 | -435 |
| Net profit (-loss) for the financial year | | | | | | | | | -13 657 | 623 |

thousand EUR

| | Confectionery products | | Flour confectionery products | | Dairy products | | Real estate | | Total | |
|--|------------------------|--------------|------------------------------|--------------|----------------|--------------|-------------|--------------|---------------|---------------|
| | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| External clients | | | | | | | | | | |
| sales revenue | 5 147 | 5 096 | 1 206 | 1 268 | 5 743 | 7 379 | 92 | 623 | 12 187 | 14 366 |
| other operating income | 13 | 13 | 0 | 2 | 5 | 128 | 0 | 73 | 18 | 216 |
| Income from other segments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total segment income | 5 160 | 5 109 | 1 206 | 1 271 | 5 749 | 7 507 | 92 | 696 | 12 206 | 14 583 |
| Segment result | 301 | -379 | 236 | 52 | -153 | -338 | 66 | 1 650 | 450 | 986 |
| Joint operating expense | | | | | | | | | -940 | -664 |
| Operating profit/loss | | | | | | | | | -490 | 322 |
| Financial income and expenses | | | | | | | | | -383 | -254 |
| Profit before minority interest | | | | | | | | | -873 | 68 |
| Minority interest | 0 | 0 | 1 | -28 | 0 | 0 | 0 | 0 | 1 | -28 |
| Net profit (-loss) for the financial year | | | | | | | | | -874 | 40 |

Sales revenue by markets

thousand EEK and EUR

| | Consolidated EEK | | Consolidated EUR | |
|--------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.07.2006- 30.09.2006 | 01.07.2005- 30.09.2005 | 01.07.2006- 30.09.2006 | 01.07.2005- 30.09.2005 |
| Estonia | 104 758 | 116 934 | 6 695 | 7 473 |
| Baltic states | 8 748 | 5 213 | 559 | 333 |
| Scandinavia | 889 | 4 980 | 57 | 318 |
| Other EU countries | 72 639 | 98 524 | 4 642 | 6 297 |
| Other | 3 941 | 2 518 | 252 | 161 |
| TOTAL | 190 975 | 228 169 | 12 206 | 14 583 |

Annex 4 Personnel costs

During the period from 01 July 2006 until 30 September 2006 11 employees were dismissed in the Group, who were paid a total severance pay of 383 thousand kroons (24 thousand euros). During the comparative period of the previous financial year 47 employees were dismissed in the Group, who were paid a total severance pay of 1,319 thousand kroons (44 thousand euros).

Note 5 Group's earnings per share

thousand EEK and EUR

| | Consolidated EEK | | Consolidated EUR | |
|---|------------------|--------------|------------------|--------------|
| | 30.06.2006 | 30.06.2005 | 30.06.2006 | 30.06.2005 |
| Net profit / loss | 141 | -39 934 | 9 | -2 552 |
| Weighted average shares for the period (thousand shares) | 23 633 | 23 633 | 1 510 | 1 510 |
| EPS | 0,01 | -1,69 | 0,00 | -0,11 |

Since the Group does not have potentially issuable ordinary shares, dispersed earnings per share are the same as ordinary earnings per share.

Note 6 Real estate investments

(thousand EEK)

| Consolidated | Investments | Investment prepayments | Total |
|------------------------------------|--------------------|-----------------------------------|----------------|
| Book value as at 30.06.2006 | 89 944 | 0 | 89 944 |
| Acquisitions | 15 857 | 0 | 15 857 |
| Book value as at 30.09.2006 | 105 801 | 0 | 105 801 |

thousand EUR

| Consolidated | Investments | Investment prepayments | Total |
|------------------------------------|--------------------|-----------------------------------|----------------|
| Book value as at 30.06.2006 | 5 748 | 0 | 5 748 |
| Acquisitions | 1 013 | 0 | 1 013 |
| Book value as at 30.09.2006 | 6 762 | 0 | 6 762 |
| thousand EEK | | | |
| Book value as at 30.06.2005 | 165 768 | 34 810 | 200 578 |
| Acquisitions | 11 950 | 0 | 11 950 |
| Reclassification from fixed assets | 3 038 | 0 | 3 038 |
| Investment prepayments | 29 662 | -29 662 | 0 |
| Change of fair value | 1 949 | 0 | 1 949 |
| Book value as at 30.09.2005 | 212 367 | 5 148 | 217 515 |

thousand EUR

| Consolidated | Investments | Investment prepayments | Total |
|------------------------------------|--------------------|-----------------------------------|---------------|
| Book value as at 30.06.2005 | 10 595 | 2 225 | 12 819 |
| Acquisitions | 764 | 0 | 764 |
| Reclassification from fixed assets | 194 | 0 | 194 |
| Investment prepayments | 1 896 | -1 896 | 0 |
| Change of fair value | 125 | 0 | 125 |
| Book value as at 30.09.2005 | 13 573 | 329 | 13 902 |

During the accounting period, a registered immovable at Kohila 2a was acquired at 14 526 thousand kroons (928 thousand euros).

Note 7 Tangible fixed assets

(thousand EEK)

| Consolidated | Land | Buildings and civil engineering works | Plant and equipment | Other fixed assets | Construction in progress | TOTAL |
|--|---------------|--|--------------------------------|-----------------------------------|-------------------------------------|----------------|
| Acquisition cost 30.06.06 | 13 111 | 348 362 | 166 570 | 18 133 | 92 282 | 638 458 |
| Accumulated depreciation 30.06.06 | 0 | | -82 255 | -10 128 | -235 | -92 618 |
| Residual value 30.06.06 | 13 111 | 348 362 | 84 315 | 8 005 | 92 047 | 545 840 |
| Acquisitions | | 6 168 | 772 | 607 | 2 425 | 9 972 |
| Sale | | | -169 | | | -169 |
| Depreciation costs | | -2 463 | -2 145 | -632 | | -5 240 |
| Residual value 30.09.2006 | 13 111 | 352 067 | 82 773 | 7 980 | 94 472 | 550 403 |
| Acquisition cost 30.09.2006 | 13 111 | 354 530 | 161 883 | 11 883 | 94 707 | 636 114 |
| Accumulated depreciation 30.09.2006 | | -2 463 | -79 110 | -3 903 | -235 | -85 711 |

thousand EUR

| Consolidated | Land | Buildings and civil engineering works | Plant and equipment | Other fixed assets | Construction in progress | TOTAL |
|--|-------------|--|--------------------------------|-----------------------------------|-------------------------------------|---------------|
| Acquisition cost 30.06.06 | 838 | 22 264 | 10 646 | 1 159 | 5 898 | 40 805 |
| Accumulated depreciation 30.06.06 | 0 | 0 | -5 257 | -647 | -15 | -5 919 |
| Residual value 30.06.06 | 838 | 22 264 | 5 389 | 512 | 5 883 | 34 886 |
| Acquisitions | 0 | 394 | 49 | 39 | 155 | 637 |
| Sale | 0 | 0 | -11 | 0 | 0 | -11 |
| Depreciation costs | 0 | -157 | -137 | -40 | 0 | -335 |
| Residual value 30.09.2006 | 838 | 22 501 | 5 290 | 510 | 6 038 | 35 177 |
| Acquisition cost 30.09.2006 | 838 | 22 659 | 10 346 | 759 | 6 053 | 40 655 |
| Accumulated depreciation 30.09.2006 | 0 | -157 | -5 056 | -249 | -15 | -5 478 |

(thousand EEK)

| Consolidated | Land | Buildings and civil engineering works | Plant and equipment | Other fixed assets | Construction in progress | TOTAL |
|--|---------------|--|------------------------|--------------------------|-----------------------------|----------------|
| Acquisition cost 30.06.05 | 11 486 | 263 196 | 147 784 | 18 493 | 8 216 | 449 175 |
| Accumulated depreciation 30.06.05 | 0 | -18 754 | -71 521 | -11 349 | -235 | -101 859 |
| Residual value 30.06.05 | 11 486 | 244 442 | 76 263 | 7 144 | 7 981 | 347 316 |
| Acquisitions | 0 | 2 567 | 3 322 | 873 | 1 187 | 7 949 |
| Sale | 0 | 0 | -706 | 0 | 0 | -706 |
| Reclassification | 0 | 0 | -2 439 | 29 | 1 717 | -693 |
| into real estate transaction (Note 6) | 0 | -3 038 | 0 | 0 | 0 | -3 038 |
| depreciation cost | 0 | -1 969 | -3 626 | -543 | 0 | -6 138 |
| Residual value 30.09.2005 | 11 486 | 242 002 | 72 814 | 7 503 | 10 885 | 344 690 |
| Acquisition cost 30.09.2005 | 11 486 | 262 333 | 148 077 | 17 647 | 11 120 | 450 663 |
| Accumulated depreciation 30.09.2005 | 0 | -20 331 | -75 263 | -10 144 | -235 | -105 973 |

thousand EUR

| Consolidated | Land | Buildings and civil engineering works | Plant and equipment | Other fixed assets | Construction in progress | TOTAL |
|--|------------|--|------------------------|--------------------------|-----------------------------|---------------|
| Acquisition cost 30.06.05 | 734 | 16 821 | 9 445 | 1 182 | 525 | 28 708 |
| Accumulated depreciation 30.06.05 | 0 | -1 199 | -4 571 | -725 | -15 | -6 510 |
| Residual value 30.06.05 | 734 | 15 623 | 4 874 | 457 | 510 | 22 198 |
| Acquisitions | 0 | 164 | 212 | 56 | 76 | 508 |
| Sale | 0 | 0 | -45 | 0 | 0 | -45 |
| Reclassification | 0 | 0 | -156 | 2 | 110 | -44 |
| into real estate transaction (Note 6) | 0 | -194 | 0 | 0 | 0 | -194 |
| depreciation cost | 0 | -126 | -232 | -35 | 0 | -392 |
| Residual value 30.09.2005 | 734 | 15 467 | 4 654 | 480 | 696 | 22 030 |
| Acquisition cost 30.09.2005 | 734 | 16 766 | 9 464 | 1 128 | 711 | 28 803 |
| Accumulated depreciation 30.09.2005 | 0 | -1 299 | -4 810 | -648 | -15 | -6 773 |

Note 8 Intangible fixed assets

(thousand EEK)

| | Consolidated Other intangible assets | Consolidated Goodwill | Consolidated Total |
|---|---|----------------------------------|-------------------------------|
| Acquisition costs 30.06.06 | 359 | 4550 | 4909 |
| Accumulated depreciation 30.06.06 | -349 | 0 | -349 |
| Residual value 30.06.2006 | 10 | 4550 | 4560 |
| Depreciation cost for the accounting period | -6 | 0 | -6 |
| Residual value 30.09.2006 | 4 | 4 550 | 4554 |
| Acquisition cost 30.09.2006 | 359 | 4550 | 4909 |
| Accumulated depreciation 30.09.06 | -355 | 0 | -355 |

thousand EUR

| | Consolidated Other intangible assets | Consolidated Goodwill | Consolidated Total |
|---|---|----------------------------------|-------------------------------|
| Acquisition cost 30.06.06 | 23 | 291 | 314 |
| Accumulated depreciation 30.06.06 | -22 | 0 | -22 |
| Residual value 30.06.2006 | 1 | 291 | 291 |
| Depreciation cost for the accounting period | 0 | 0 | 0 |
| Residual value 30.09.2006 | 0 | 291 | 291 |
| Acquisition cost 30.09.2006 | 23 | 291 | 314 |
| Accumulated depreciation 30.09.06 | -23 | 0 | -23 |

thousand EEK and EUR

| | Consolidated EEK Other intangible assets | Consolidated EUR Other intangible assets |
|---|---|---|
| Acquisition cost 30.06.05 | 359 | 23 |
| Accumulated depreciation 30.06.05 | -280 | -18 |
| Residual value 30.06.2005 | 79 | 5 |
| Depreciation cost for the accounting period | -19 | -1 |
| Residual value 30.09.2005 | 60 | 4 |
| Acquisition cost 30.09.2005 | 359 | 23 |
| Accumulated depreciation 30.09.05 | -299 | -19 |

Note 9 Debts

thousand EEK and EUR

| | Consolidated EEK | | Consolidated EUR | |
|-------------------------------------|------------------|----------------|------------------|---------------|
| | 30.09.2006 | 30.06.2006 | 30.09.2006 | 30.06.2006 |
| Overdraft | 46 742 | 46 052 | 2 987 | 2 943 |
| Bonds | 74 834 | 74 834 | 4 783 | 4 783 |
| Bank loans | 91 373 | 105 698 | 5 840 | 6 755 |
| Other short-term loans | 1 709 | 5 000 | 109 | 320 |
| Finance lease liabilities | 367 | 8 880 | 23 | 568 |
| Total short-term liabilities | 215 025 | 240 464 | 13 743 | 15 368 |
| Long-term bank loans | 136 602 | 39 378 | 8 730 | 2 517 |
| Long-term finance lease liabilities | 84 320 | 93 530 | 5 389 | 5 978 |
| Total long-term liabilities | 220 922 | 132 908 | 14 119 | 8 494 |

From financial mediators, AS Kalev REC has received over 63 million kroons (4 million euros) of loan for real estate investments and real estate project development.

Note 10 Provisions

In the Group's subsidiary AS Kalev Paide Tootmine a provision in the amount of 3, 200 thousand EEK (205 thousand EUR) was formed at the end of the financial year of 2005/2006 to cover potential loss arising from the unfavourable dairy products market situation and buying-in contracts until December 2006. In the first quarter, the said provision was reduced by 1,600 thousand EEK (102 thousand EUR) pro rata to the accounting period.

Note 11 Share capital

Pursuant to the current Articles of Association, the undertaking may increase its share capital up to 31,510,000 shares.

| | Consolidated EEK | | Consolidated EUR | |
|-----------------------------------|------------------|------------|------------------|------------|
| | 30.09.2006 | 30.09.2005 | 30.09.2006 | 30.09.2005 |
| Ordinary shares (thousand shares) | 23 633 | 23 633 | 23 633 | 23 633 |
| Nominal value | 10 | 10 | 0.64 | 0.64 |

Note 12 Transactions with related parties

Transactions with undertakings related to the management of AS Kalev:

thousand EEK and EUR

| | Consolidated EEK | | Consolidated EUR | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 01.07.2006- 30.09.2006 | 01.07.2005- 30.09.2005 | 01.07.2006- 30.09.2006 | 01.07.2005- 30.09.2005 |
| Goods and services purchased | | | | |
| Opening balance at the beginning of period | 7 028 | 26 974 | 449 | 1 724 |
| Services | 6 080 | 5 862 | 389 | 375 |
| Goods | 33 463 | 42 372 | 2 139 | 2 708 |
| Closing balance at the end of period | 13 974 | 31 036 | 893 | 1 984 |
| Goods and services sold | | | | |
| Opening balance at the beginning of period | 1 820 | 3 168 | 116 | 202 |
| Services | 256 | 94 | 16 | 6 |
| Goods | 31 570 | 29 955 | 2 018 | 1 914 |
| Closing balance at the end of period | 704 | 2 092 | 45 | 134 |

Major purchase and sale transactions were conducted with Tallinna Piimatööstuse AS. Crude milk was purchased, and dairy products were sold. The majority of services were bought from AS Solidum due to the fact that a Group's equipment maintenance agreement is made with the latter.

The Group has supported non-profit associations related with the management in the amount of 311 thousand kroons (20 thousand euros); during the comparative period the amount was 232 thousand kroons (15 thousand euros).

In the opinion of the management of the company, no prices considerably differing from the market prices were used in the transactions with the above-specified related parties.