



Registry code: 10000952

Interim financial statements
for the period:
01.07.2008-30.09.2008

Financial year:
01.07.2008-30.06.2009

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**Unaudited
3-month interim
financial statements**

- The Group's net turnover: 353.9 million kroons; increase in revenue: 13.5%
- Gross profit: 112,7 million kroons; net profit 29,8 million kroons
- Increase in the sale of confectionery products 4%
- Growth in the share of the domestic market to 96% of net turnover

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1. COMMENTS ON ECONOMIC ACTIVITIES

1.1. General information and changes in organisational structure

AS Kalev pursues several fields of activity, including manufacturing and sale of foodstuffs, real-estate-related activities, print media and telemedia, publishing activities. The company has long-term experience in the confectionery and dairy product segment. AS Kalev has also pursued various real estate development and management projects for a longer period of time. The company's strong development and expansion of its activities into the media and publishing segment and the associated segments began in the previous financial year and has continued in the reporting period. Foodstuff production is carried out in five production plants located in Põrguvälja (in Rae Municipality), Paide, Viljandi, Jõhvi and Kiviõli. The products are, among other channels, sold through the company's pan-Estonian retail chain, consisting of 15 candy stores and cafeterias. Kalev Group's parent company is AS Kalev. In addition, the group incorporates eighteen subsidiaries.

AS Kalev has a significant interest in the following companies:

Subsidiary company	Location	As of 30.09.2008	As of 30.06.2008
AS Kalev Paide Tootmine	Estonia	100%	100%
AS Valmetek Invest	Estonia	66,7%	66,7%
AS Kalev Jõhvi Tootmine	Estonia	99,1%	99,1%
AS Vilma	Estonia	100%	100%
AS Kalev Real Estate Company	Estonia	100%	100%
EOOD Stude REC	Bulgaria	100%	100%
OÜ BCA Center	Estonia	100%	100%
OÜ BCA Kinnisvara	Estonia	100%	100%
AS Kalev Chocolate Factory	Estonia	100%	100%
OÜ Maiasmokk	Estonia	86,4%	86,4%
Kalev Merchant Services Ltd	USA	100%	100%
OÜ Sugarstar	Estonia	100%	100%
AS Inreko Press	Estonia	100%	100%
OÜ Olliwood	Estonia	100%	100%
AS Eksklusiiiv	Estonia	100%	100%
AS Kalev Meedia	Estonia	100%	100%
OÜ Eesti Spordikanal	Estonia	100%	100%
OÜ AgriStock	Estonia	100%	100%

The members of the Management Board of AS Kalev are elected and removed pursuant to the procedure provided by the Commercial Code. Under the Commercial Code, the members of the Management Board are appointed and removed by the Supervisory Board of AS Kalev. A member of

the Management Board shall be elected for a specified term of three years unless the Articles of Association prescribe another term. Extension of the term of office of a member of the Management Board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the law or the Articles of Association.

A member of the Management Board may be removed upon a resolution of the Supervisory Board of AS Kalev regardless of the reason. Rights and obligations arising from a contract concluded with the member of the Management Board shall terminate pursuant to the contract. A member of the Management Board may resign from the Management Board with good reason if he or she gives notice of his or her resignation to the Supervisory Board and, if this is impossible, submits a relevant application to the registrar of the commercial register. With good reason, a court may appoint a new member to replace a removed member of the Management Board on the petition of the Supervisory Board, a shareholder or other interested person. The authority of the court-appointed member of the Management Board shall continue until appointment of a new member of the Management Board by the Supervisory Board. The members of the Management Board of AS Kalev shall be appointed for a term of three years in accordance with the Articles of Association of AS Kalev. If the Management Board has more than two members, the Supervisory Board of AS Kalev shall elect the Chairman of the Management Board amongst the members of the Management Board.

Pursuant to the Commercial Code, a resolution on amendment of the Articles of Association shall be adopted if at least two-thirds of the votes who participate in the meeting are in favour. A resolution on amendment of the Articles of Association shall enter into force as of the making of a corresponding entry in the commercial register. The Articles of Association of AS Kalev have not prescribed a greater majority requirement. AS Kalev has only one type of shares.

AS Kalev may be represented in all legal acts by any member of the Management Board. Under the Articles of Association, if the Management Board of AS Kalev has three or more members, the public limited company may be represented in all legal acts by the Chairman of the Management Board alone, or other members of the Management Board together with the Chairman of the Management Board. Pursuant to the Commercial Code, joint representation shall apply with regard to third persons only if it is entered in the commercial register. The members of the Management Board of AS Kalev shall not have the right to issue or repurchase shares. No agreements have been concluded between AS Kalev and its Management Board members or employees, stipulating any monetary compensation in connection with the takeover set forth in section 19 of the Securities Market Act.

A significant change was introduced in the group structure in the first quarter of the financial year 2008/2009. Namely, AS Kalev's subsidiary AS Kalev Paide Tootmine appointed Taavi Toots as member of the Management Board of the public limited company on 19 September 2008. Taavi Toots, member of the Management Board of AS Kalev Paide Tootmine, has also served as the financial director of AS Tere since July 2007, and is a member of the Supervisory Board of AS Tere. Taavi Toots is also a member of the Supervisory Board of AS Solidum and AS Meieri Transport since June 2007. Taavi Toots holds no shares in AS Kalev.

1.2. Financial results

The following factors had a significant effect on the consolidated financial results of AS Kalev Group in the first quarter of the financial year 2008/2009:

- 1) nearly a 13.5% increase in net turnover of goods and services, compared to the comparative period;
- 2) nearly a 38% increase in consolidated gross profit, compared to the comparative period;
- 3) increase in revenue from the real estate segment – the company disposed previously launched projects, and generated revenue in the new segment (public real estate market);
- 4) nearly a 4% increase in the sale of confectionery products, regardless of the overall decrease in total market demand; the segment's profitability has doubled;
- 5) the share of the domestic market in the total sale of commodities (96% of net turnover) has significantly increased, while the share of export in total turnover has become insignificant due to the reorientation of the dairy segment to service provision;
- 6) the development of the media and event marketing area, which underwent a quick development in the previous year, continued, with the revenue showing a slight decrease in the reporting period.

The consolidated **net sales** of AS Kalev for the first 3 months of the financial year 2008/2009 amounted to 353.9 million kroons (22.6 million euros), showing a 13.5% growth compared to the same period last financial year. The net sales dynamics differed by segments: revenue from the real estate market showed a strong growth, with positive growth also seen in the sale of confectionery products. The media and event marketing segment sales somewhat decreased, compared to the same period last year. Further to the structural changes in the dairy segment in the second half of the last financial year, the revenue for the first quarter of the financial year is not directly comparable with that of the previous year. The Group's total turnover for the reporting period was affected by the increase in real estate sales and decrease in dairy sales.

The consolidated **net profit** of AS Kalev for the financial year 2008/2009 amounted to nearly 29.8 million kroons (1.9 million euros), compared to the 10.8 million kroons (0.7 million euros) in the comparative period.

In the first three months of the financial year 2008/2009, AS Kalev Group had an average of 806 employees (874 employees in the comparative period last financial year).

The net sales and net profit of AS Kalev Group companies for the financial year 2008/2009 have been brought out in the below tables (in thousands of kroons and euros), separately for each company. Comparative data has been brought out on 14 companies.¹ The data on AS Kalev Paide Tootmine, AS Kalev Real Estate Company and AS Kalev Meedia also include the corresponding financial results of their subsidiaries.

in thousands of kroons				
EEK	Net sales		Net profit	
	2008/2009	2007/2008	2008/2009	2007/2008
	3 months	3 months	3 months	3 months
AS Kalev	42	299	-20 497	-19 258
AS Kalev Paide Tootmine*	8 850	143 447	-1 548	39 621
AS Kalev REC*	217 866	11 761	74 575	-6 226
AS Kalev Jõhvi Tootmine	11 187	10 195	-268	-603
OÜ Maiasmokk	2 335	2 103	226	186
AS Vilma	9 009	7 756	541	-50
AS Kalev Chocolate Factory	123 680	120 530	591	4 095
OÜ Sugarstar	758	1 636	-966	-171
AS Inreko Press**	0	0	-1	-228
OÜ Olliwood**	0	0	0	-174
OÜ Eksklusiv ¹	0	742	-5	-295
AS Kalev Meedia*	4 572	3 958	-23 208	-3 632
AS Uniprint*	0	38 367	0	-115
OÜ Agristock	0	48	-14	-2 504

*consolidated

** the activities have been transferred to AS Kalev Meedia

¹ As the balance sheet volume of the subsidiary Kalev Merchant Services Ltd makes up less than 0.5% of the parent company's turnover, the financial indicators will not be consolidated. The date on the associated company is not included. AS Uniprint was incorporated as a subsidiary in the last financial year; under the shareholders' agreement, AS Kalev had the right to purchase all shares of the company. However, AS Kalev did not exercise this right. AS Uniprint is thus not considered a subsidiary from 1 April 2008.

in thousands of euros

EUR	Net sales		Net profit	
	2008/2009	2007/2008	2008/2009	2007/2008
	3 months	3 months	3 months	3 months
AS Kalev	3	19	-1 310	-1 231
AS Kalev Paide Tootmine*	566	9 168	-99	2 532
AS Kalev REC*	13 924	752	4 766	-398
AS Kalev Jõhvi Tootmine	715	652	-17	-39
OÜ Maiasmokk	149	134	14	12
AS Vilma	576	496	35	-3
AS Kalev Chocolate Factory	7 905	7 703	38	262
OÜ Sugarstar	48	105	-62	-11
AS Inreko Press**	0	0	0	-15
OÜ Olliwood**	0	0	0	-11
OÜ Eksklusiv**	0	47	0	-19
AS Kalev Meedia*	292	253	-1 483	-232
AS Uniprint*	0	2 452	0	-7
OÜ Agristock	0	3	-1	-160

*consolidated

** the activities have been transferred to AS Kalev Meedia

AS Kalev's financial gearing did not increase in the reporting period. A decrease in current liabilities resulted in an increase in the group's current ratio (see table below). A bond issue was carried out in the period in order to refinance the group's development needs. The ROA of Kalev Group was positive in the first quarter of the financial year, doubling compared to the same period in the last financial year.

The most important financial ratios of AS Kalev have been brought out in the below table:

	AS Kalev Group	
	01.07.2008- 30.09.2008	01.07.2007- 30.09.2007
Current ratio	0.82	0.6
Financial gearing	0.74	0.76
Asset turnover ratio	0.19	0.23
Net profit margin (%)	8.4%	3.5%
Return on assets, ROA (%)	1.6%	0.8%

* The financial ratios have been calculated based on the following methods:

Current ratio = current assets / current liabilities

Financial gearing = total liabilities / average total assets

Asset turnover ratio = revenue / average total assets

Net profit margin = net profit / revenue * 100%

Return on assets (ROA) = net profit / average total assets * 100%

1.3. Product market and sales

1.3.1. Confectionery products

The total volume of sales of AS Kalev's confectionery products amounted to 2,056 tons in the first quarter of the financial year 2008/2009. This constitutes an 8% decrease, compared to the same period last financial year (2,228 tons). 87% of the confectionery products were sold on the domestic market and 13% were exported.

According to the retail trade survey conducted by the survey company AC Nielsen in August/September 2008, AS Kalev's market share in the chocolate and sugar confectionery market was 37% as regards turnover and 40% as regards volume. On the local biscuit market, Kalev's market share was 6.9% as regards turnover, and 8.7% as regards volume.

Kalev Group's total volume of sale of sugar and chocolate confectionery product segment amounted to 1,390 tons in the first three months of the financial year 2008/2009. This constitutes a 3% decrease from the total volume of sugar and chocolate confectionery products sold in the same period last year. At the same time, the dynamics of the sale of confectionery products was different for different product groups: revenue from boxed chocolate candy (15%), dragee (12%) and chocolate tablets (7%) showed the quickest growth. Candy sales also showed an increase (3%). Compared to the same period last financial year, an increase can be seen in the sale of boxed chocolate candy (18%) and dragee (3%), while the volumes of other confectionery products have remained on par, or have somewhat decreased.

A total of 6 new products were launched in the reporting period. The chocolate and sugar confectionery segment saw an expansion of the Kalev brand chocolate series - the company launched the new "Kalev Milk" milk chocolate with toffee and peanuts (100g). The company launched a new exclusive chocolate series under the "Kalev Finest Chocolates" series, which includes "Kalev dark chocolate with orange and green tea" (70g) and "Kalev dark chocolate 72%" (70g). Kalev also launched a selection of 20g chocolate tablets with the cartoon figure Lotte design for children - "Kalev milk chocolate" (20g) and "Kalev white chocolate with biscuit pieces and strawberry" (20g).

Kalev Group's total volume of sale of flour confectionery products (pastry products, biscuits, flour mixes) amounted to 666 tons in the period. The sale of flour confectionery products decreased by nearly 17% compared to the same period last financial year. Similarly to sugar and chocolate confectionery segments, different sales dynamics can be distinguished among the product groups of the flour confectionery segment: for instance, the turnover of flour mixes increased by 47% and the sales volume by 39%, compared to the last financial year. The share of export is immaterial in the flour confectionery segment.

The flour confectionery products saw a new addition to the Vilma flour mixes in the first quarter of the financial year, -with the company launching "Vilma biscuit powder with milk chocolate drops" (400g).

A majority (87%) of the total turnover from the confectionery products (i.e. sugar, chocolate and flour confectionery products) was generated on the domestic market in the first quarter of the financial year 2008/2009; sales to different foreign markets amounted to 13% of the total turnover (on par with that of the previous period). The biggest export destinations for Kalev's confectionery products are Latvia, Lithuania and the so-called Travel Trade segment.

1.3.2. Dairy products

Similarly to the previous period, the operations of Kalev Group's dairy segment in the first three months of the financial year included service provision through the subsidiary AS Kalev Paide Tootmine. In the given period, AS Kalev Paide Tootmine mainly rendered services to AS Tere and the Jõgeva Milk Producers' Association. Further to the structural changes in the dairy segment in the second half of the last financial year, the revenue for the first quarter of the financial year is not directly comparable with that of the previous year. The seasonal nature of milk production also affected the production volumes: in total, 2,058 tons of products were manufactured from July to September under the service contract, incl. 984 tons of different powder, 765 tons of cream and 309 tons of milk. The company mainly produced skimmed milk powder and, to a lesser extent, cream and milk powder.

In the first quarter of the financial year 2008/2009, the company planned to acquire AS Tere and OÜ Põlva Piim Tootmine. Due to circumstances beyond the control of the company, the transaction was not completed in the first quarter (it was completed ten days after the balance sheet date, on 30 September 2008).

1.3.3. Real estate activities

AS Kalev pursues real estate management and development activities through its subsidiary AS Kalev Real Estate Company (hereinafter Kalev REC), and through its subsidiaries and associated companies. In real estate activities, the group bases the portfolio formation on the principle of conservatism. Quick macro-economic changes in the market segment have no significant effect on the group's economic results.

In the real estate segment, the most important project had to do with the development activities of the subsidiary OÜ BCA Center in the reconstruction of five schools within the framework of the Private Partnership for Tallinn Schools Project (the scheduled term of completion of three schools was July 2008 and two schools December 2008).

A detailed plan for the Ringi 56a real estate owned by AS Kalev REC's associate OÜ Ringi Haldus was completed in the period, permitting construction of a 4,600 m² apartment building. Design work on the building has already commenced. AS Kalev REC's Bulgarian-based subsidiary EOOD Stude REC is just about to complete construction of the 6,500 m² apartment building in Sofia. A permit of use for the

building will be applied by the end of 2008. Brokers have already been appointed for the sale of the apartments.

So far, the group's real estate segment has revolved around development of residential and commercial space. The company is, however, refocusing on the public real estate market. Kalev REC, Kalev Group's subsidiary involved in the real estate segment, is eager to participate in various private partnership projects.

1.3.4. Media

AS Kalev Meedia and its subsidiary OÜ Eesti Spordikanal are involved in three segments: print media, Internet, television. AS Kalev Meedia publishes the gossip magazine *Just*, financial magazine *Ärielu*, sports magazines *Sporditäht*, *Basket* and *Jalka*; car and motorcycle magazine *Moto*; fashion and lifestyle magazines *Avenüü* and *Avenüü Professional*, IT magazine *Praktiline Arvutikasutaja* as well as the children's magazines *Muumi* and *Muumi Mõistatuste ja Värviraamat*. These publications had the following average print runs in the financial year: *Just* 10,500, *Ärielu* 4,500, *Sporditäht* 4,500, *Basket* 4,500, *Jalka* 4,500, *Moto* 5,200, *Avenüü* 4,500, *Avenüü Professional* 4,000, *Muumi* 6,600, *Muumi Mõistatuste- ja Värviraamat* 5,000, *Praktiline Arvutikasutaja* 4,800. At the same time, actual reader numbers are remarkably bigger for these publications—according to the Estonian Media Survey conducted by TNS Emor in the third quarter of 2008, *Just* had 36,000, *Sporditäht* 11,000, *Avenüü* 14,000, *Muumi* 15,000, *Ärielu* 5,000, *Basket* 7,000 and *Praktiline Arvutikasutaja* 5,000 readers.

Subscription campaigns were organised for different magazines in the reporting period in order to boost magazine subscription. To activate retail sales, the cover prices of different magazines were lowered in the course of the campaign. In August, the *Sporditäht* magazine was enhanced to contain 100 pages; in September, a new car and motorcycle magazine *Moto* was launched, with the gossip magazine *Just* issued twice a week. The *Praktiline Arvutikasutaja* launched co-operation with the world's biggest IT magazine published International Data Group Inc (which issues the world's biggest computer magazine *PC World*). Under the co-operation agreement, *Praktiline Arvutikasutaja* started publishing the materials of *PC World*, and was also enhanced to contain 100 pages.

According to the statistics of the news portal www.kalev.ee, the portal had an average total of 29 174 unique visits per week (100 762 per month).

The new sports-orientated news and entertainment channel *KalevSport* is broadcasted by AS Kalev Meedia's subsidiary OÜ Eesti Spordikanal. According to the TV Audience Meter Survey conducted by TNS EMOR between 1 July 2008 and 30 September 2008 (target group: Estonian population over the age of 4), the *Daily Reach* of *Kalev Sport* was 48,000, the *Daily Reach %* was 3.7 and the *Daily Share* was 0.5%. A total of 379,000 people watched the *Kalev Sport* channel in the period.

As of 30 June 2008, 132 people were employed in Kalev Group's media segment (incl 94 in AS Kalev Meedia and 38 in OÜ Spordikanal).

1.4. Future activities

AS Kalev's dairy segment is developed through AS Kalev Paide Tootmine and its subsidiaries. Being focused on group expansion so far (having acquired the milk processing plants OÜ Põlva Piim Tootmine and AS Tere, see Note 12), the group is refocusing on the objective of developing from commodity-type dairy product manufacturing to Estonia's leading milk processor. The technical work carried out in the design of the product portfolio has created additional opportunities for valuation of the raw material, thus enhancing export opportunities. Both the development of the product portfolio and changes in milk processing consolidation serve the goal of becoming a competitive dairy product manufacturer in the Baltic States.

Kalev Group's confectionery segment is developed through AS Kalev Chocolate Factory. In the sugar and chocolate confectionery segment, the group's objective is to maintain its position as the leader of the domestic market, while securing its market share in the Baltic States. In product development, the goal is to extend the terms of expiry as well as produce healthy products and create new flavours. The chocolate confectionery segment focuses on the development of chocolate tablets, chocolate candies and boxed chocolate candies, while the sugar confectionery segment focuses on chewing candies and toffee. In the pastry and flour confectionery segment, the focus lies on the domestic market. Both product development and equipment investments focus on supporting the major segments, thus increasing profitability, improving export capacity, enhancing production efficiency and reducing manual labour.

The group's real estate segment is developed through AS Kalev REC and its subsidiaries. So far, the real estate sector in Estonia has allowed Kalev Group to actively pursue real estate development and management. The group has mainly focused on the development of residential and commercial space. The public real estate market, however, has a growing potential and provides new expansion opportunities, including partnership projects (see Note 12).

AS Kalev Meedia and the event marketing segment continues to develop its operations as regards both content and volume. The objective is to boost reader numbers and advertising income. We also exploit the opportunities of expanding in the media market, incl. launching new publications and pursuing expansive development. To complement the channels' current focus on news and sports, the media segment is also open for development into other areas (see Note 12).

2. INTERIM FINANCIAL STATEMENTS

MANAGEMENT REPRESENTATION TO THE FINANCIAL STATEMENTS

The Management Board of AS Kalev takes responsibility for the correctness of the preparation of the interim financial statements for the first three months of the financial year 2008/2009 of AS Kalev, set out on pages 13-35, and confirms that, to the best of his 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.

Tallinn, 5 December 2008



Oliver Kruuda
General Manager

INCOME STATEMENT

in thousands of kroons and euros

Note	Consolidated EEK		Consolidated EUR		
	3 months 2009	3 months 2008	3 months 2009	3 months 2008	
3	Revenue	353 900	311 832	22 618	19 930
	Cost of sales of goods and services	-241 162	-230 108	-15 413	-14 707
	GROSS PROFIT	112 738	81 724	7 205	5 223
	Marketing expenses	-33 196	-32 626	-2 122	-2 085
	Administrative and general expenses	-23 301	-25 695	-1 489	-1 642
	Other income and expenses	-2 511	-89	-160	-6
	OPERATING PROFIT	53 730	23 314	3 434	1 490
	Financial income and expenses	-23 887	-12 333	-1 527	-788
	PROFIT BEFORE INCOME TAX	29 843	10 981	1 907	702
	Income tax	0	-149	0	0
	PROFIT BEFORE MINORITY INTEREST	29 843	10 832	1 907	702
	Minority interest	28	5	2	0
	PROFIT ATTRIBUTABLE TO THE PARENT COMPANY	29 815	10 837	1 906	693
	EPS attributable to the owner's of the parent company (basic and diluted)	1.26	0.46	0.08	0.03

BALANCE SHEET

in thousands of kroons and euros

Note	Consolidated EEK		Consolidated EUR		
	30.09.2008	30.06.2008	30.09.2008	30.06.2008	
ASSETS					
Current assets					
	Cash	6 888	103 495	440	6 615
	Receivables	250 753	170 678	16 026	10 908
	Prepayments	1 895	2 149	121	137
	Inventories	143 014	191 952	9 140	12 268
	Total current assets	402 550	468 274	25 728	29 928
Non-current assets					
	Long-term investments and receivables	538 449	413 302	34 413	26 415
6	Investment property	336 157	335 990	21 484	21 474
7	Property, plant and equipment	563 632	572 024	36 023	36 559
8	Intangible assets	20 828	20 761	1 331	1 327
	Total non-current assets	1 459 066	1 342 077	93 251	85 774
	TOTAL ASSETS	1 861 616	1 810 352	118 979	115 703
LIABILITIES AND OWNER'S EQUITY					
Liabilities					
Current liabilities					
9	Short-term borrowings	244 615	696 070	15 634	44 487
	Prepayments from customers	18 781	18 584	1 200	1 188
	Payables to suppliers and other payables	230 236	304 817	14 715	19 481
	Total current liabilities	493 632	1 019 471	31 549	65 156
Non-current liabilities					
9	Long-term borrowings	866 758	319 489	55 396	20 419
	Total non-current liabilities	866 758	319 489	55 396	20 419
	Total liabilities	1 360 390	1 338 960	86 945	85 575
Owner's equity					
	Share capital	236 325	236 325	15 104	15 104
	Mandatory reserve	5 543	5 543	354	354
	Revaluation reserve	106 215	106 215	6 788	6 788
	Retained earnings	153 066	123 251	9 783	7 877
	Total owner's equity	501 149	471 334	32 029	30 124
	Minority interest	77	58	5	4
	TOTAL LIABILITIES AND OWNER'S EQUITY	1 861 616	1 810 352	118 979	115 703

CASH FLOW STATEMENT

in thousands of kroons and euros

	Consolidated EEK		Consolidated EUR	
	2009 3 months	2008 3 months	2009 3 months	2008 3 months
Operating activities				
Operating profit	53 730	23 314	3 434	1 490
Adjustment of operating profit	10 722	6 218	685	397
Change in assets related to operating activities	-259 992	-53 767	-16 617	-3 436
Change in liabilities related to operating activities	121 834	27 891	7 787	1 783
Total cash flow from operating activities	-73 706	3 656	-4 711	234
Investing activities				
Purchase of subsidiaries	-17 392	-5 540	-1 112	-354
Proceeds from disposals of non-current assets	18 296	6 020	1 169	385
Acquisition of non-current assets	-4 362	-35 783	-279	-2 287
Loans granted	-84 263	-11 400	-5 385	-729
Repayment of loans granted	4 325	27 587	276	1 763
Interest received	2 932	3 173	187	203
Total cash flow from investing activities	-80 464	-15 943	-5 143	-1 019
Financing activities				
Repayment of loans and bonds	-242 133	-14 824	-15 475	-947
Loans received and bonds issued	332 778	86 454	21 268	5 525
Repayment of finance lease principal	-7 615	-8 614	-487	-551
Change in overdraft	-105	4 313	-7	276
Interest paid	-25 362	-11 981	-1 621	-766
Total cash flow from financing activities	57 563	55 348	3 679	3 537
Total cash flow	-96 607	43 061	1 955	2 752
Cash and cash equivalents at the beginning of the period	103 495	17 337	6 615	1 108
Change in cash and cash equivalents	-96 607	43 061	-6 174	2 752
Cash and cash equivalents at the end of the period	6 888	60 398	440	3 860

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

STATEMENT OF CHANGES IN EQUITY

in thousands of kroons

in thousands of kroons

Consolidated		Share capital	Mandatory reserve	Revaluation reserve	Retained earnings	Total owner's equity
	30.06.2007	236 325	4 020	111 108	21 942	373 395
Adjustment of profit		0	1 523	0	-1 523	0
Total profit/loss		0	0	0	10 837	10 837
	30.09.2007	236 325	5 543	111 108	31 256	384 232
	30.06.2008	236 325	5 543	106 215	123 251	471 334
Profit for the period		0	0	0	29 815	29 815
	30.09.2008	236 325	5 543	106 215	153 066	501 149

in thousands of euros

Consolidated		Share capital	Mandatory reserve	Revaluation reserve	Retained earnings	Total owner's equity
	30.06.2007	15 104	257	7 101	1 402	23 864
Adjustment of profit		0	97	0	-97	0
Total profit/loss		0	0	0	693	693
	30.09.2007	15 104	354	7 101	1 998	24 557
	30.06.2008	15 104	354	6 788	7 877	30 124
Profit for the period		0	0	0	1 906	1 906
	30.09.2008	15 104	354	6 788	9 783	32 029

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Note 1 Background information

AS Kalev is an Estonian company whose shares have been listed in the secondary list of the NASDAQ OMX Group Tallinn Stock Exchange. Kalev Group's main fields of activity include manufacturing of various foodstuffs as well as pursuit of real estate, publishing and printing activities.

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), as passed by the European Union, 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 periods commencing 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 on recalculation of the financial indicators since the exchange rate between the Estonian kroon and the euro has been fixed (1 euro = 15.6466 kroons).

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 policies and presentation formats are used by the group on an ongoing basis in preparation of financial statements. Changes will be introduced to the accounting principles and presentation formats 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 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.

Information on discontinued operations has been separately brought out in the financial statements in accordance with IFRS 5. A discontinued operation is a major line of business or geographical area of operations which has ceased to operate, and has either been disposed of or is classified as held-for-sale.

The non-current assets or the disposal group are classified as "held for sale" if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is considered as fulfilled only if it is very likely that the assets will be disposed within the next 12 months and the assets (disposal group) can be disposed in their present form.

C. Basis of consolidation

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.

Associated company is an entity where the parent has an interest of less than 50%, and whose voting shares are not controlled by the parent. Associated companies are not consolidated line by line, and their profit is calculated by using the equity method.

Note 3 Segment information

Consolidated in thousands of kroons	Confectionery products* (except for flour confectionery products)	Flour confectionery products*	Dairy products 3 months	Real estate 3 months	Media 3 months	Event marketing 3 months	Total 3 months
	3 months	3 months	2009	2009	2009	2009	2009
	2009	2009	2009	2009	2009	2009	2009
Extra-group customers							
- revenue	97 656	24 690	8 839	217 354	4 608	753	353 900
- other income	297	25	0	0	38	10	370
Total segment revenue	97 953	24 715	8 839	217 354	4 646	763	354 270
Profit/loss from segment	10 225	3 246	-1 621	87 498	-23 204	-966	75 178
Joint expenses							-21 448
Operating profit							53 730
Net financial items							-23 887
Profit before minority interest							29 843
Minority interest	0	28	0	0	0	0	28
Net profit for the financial year							29 815

Consolidated in thousands of euros	Confectionery products* (except for flour confectionery products)	Flour confectionery products*	Dairy products 3 months	Real estate 3 months	Media 3 months	Event marketing 3 months	Total 3 months
	3 months	3 months	2009	2009	2009	2009	2009
	2009	2009	2009	2009	2009	2009	2009
Extra-group customers							
- revenue	6 241	1 578	565	13 891	295	48	22 618
- other income	19	2	0	0	2	1	24
Total segment revenue	6 260	1 580	565	13 891	297	49	22 642
Profit/loss from segment	653	207	-104	5 592	-1 483	-62	4 805
Joint expenses							-1 371
Operating profit							3 434
Net financial items							-1 527
Profit before minority interest							1 907
Minority interest	0	2	0	0	0	0	2
Net profit for the financial year							1 906

INTERIM FINANCIAL STATEMENTS FOR THE FIRST 3 MONTHS OF THE FINANCIAL YEAR 2008/2009

Consolidated in thousands of kroons	Confectionery products* (except for flour confectionery products)	Flour confectionery products*	Dairy products	Real estate	Media	Print industry	Event marketing	Total
	3 months	3 months	3 months	3 months	3 months	3 months	3 months	3 months
	2008	2008	2008	2008	2008	2008	2008	2008
Extra-group customers								
- revenue	93 560	24 179	141 297	11 244	4 560	35 936	1 056	311 832
- other income	833	21	4	0	2	97	0	957
Total segment revenue	94 393	24 200	141 301	11 244	4 562	36 033	1 056	312 789
Profit/loss from segment	7 202	39	39 711	-1 882	-4 330	1 039	-171	41 608
Joint expenses								-18 294
Operating profit								23 314
Net financial items								-12 333
Profit before income tax								10 981
Income tax	0	0	0	0	0	-149	0	-149
Profit before minority interest								10 832
Minority interest	0	5	0	0	0	0	0	5
Net profit for the financial year								10 837

Consolidated in thousands of euros	Confectionery products* (except for flour confectionery products)	Flour confectionery products*	Dairy products	Real estate	Media	Print industry	Event marketing	Total
	3 months	3 months	3 months	3 months	3 months	3 months	3 months	3 months
	2008	2008	2008	2008	2008	2008	2008	2008
Extra-group customers								
- revenue	5 980	1 545	9 031	719	291	2 297	67	19 930
- other income	53	1	0	0	0	6	0	61
Total segment revenue	6 033	1 547	9 031	719	292	2 303	67	19 991
Profit/loss from segment	460	2	2 538	-120	-277	66	-11	2 659
Joint expenses								-1 169
Operating profit								1 490
Net financial items								-788
Profit before income tax								702
Income tax	0	0	0	0	0	-10	0	-10
Profit before minority interest								692
Minority interest	0	0	0	0	0	0	0	0

Net profit for the financial year

693

Net sales by markets

in thousands of kroons and euros

	Consolidated (in EEK)		Consolidated (in EUR)	
	01.07.2008- 30.09.2008	01.07.2007- 30.09.2007	01.07.2008- 30.09.2008	01.07.2007- 30.09.2007
Estonia	340 625	146 134	21 770	9 340
Latvia and Lithuania	8 674	8 697	554	556
Scandinavia	2 803	11 772	179	752
Other EU members	80	136 312	5	8 712
Other countries	1 718	8 917	110	570
TOTAL	353 900	311 832	22 618	19 930

Note 4 Personnel expenses

In the first quarter of the financial year 2008/2009, the group had a total of 806 employees, compared to the 874 employees in the comparative period. In the period from 1 July to 30 September, the group laid off 2 employees, with a total of 40 thousand kroons (3 thousand euros) paid in severance compensation. No employees were laid off in the same period in the last financial year.

Note 5 Consolidated earnings per share

in thousands of kroons and euros

	Consolidated (in EEK)		Consolidated (in EUR)	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
Net profit/loss	29 815	10 837	1 906	693
Weighed average number of shares (in thousands of units)	23 633	23 633	23 633	23 633
Earnings per share	1,26	0,46	0,08	0,029

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 30.06.2008	332 586	3 404	335 990
Additions	167	0	167
Net book value 30.09.2008	332 753	3 404	336 157

in thousands of euros

Consolidated	Investments	Prepayments for investments	Total
Net book value 30.06.2008	21 256	218	21 474
Additions	11	0	11
Net book value 30.09.2008	21 267	218	21 484

in thousands of kroons

Consolidated	Investments	Prepayments for investments	Total
Net book value 30.06.2007	213 876	725	214 601
Additions	1 779	9 540	11 319
Net book value 30.09.2007	215 655	10 175	225 830

in thousands of euros

Consolidated	Investments	Prepayments for investments	Total
Net book value 30.06.2007	13 669	46	13 716
Additions	114	604	718
Net book value 30.09.2007	13 783	650	14 433

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 30.06.08	12 687	340 813	225 946	45 134	73 197	697 777
Accumulated depreciation 30.06.08	0	-16 114	-89 343	-9 014	-11 282	-125 753
Net book value 30.06.08	12 687	324 699	136 603	36 120	61 915	572 024
Additions	0	638	1 588	1 233	736	4 195
Disposals	0	0	-2 749	-580	0	-3 329
Reclassification	0	0	0	6	-6	0
Depreciation charge	0	-4 028	-3 331	-1 899	0	-9 258
Net book value 30.09.2008	12 687	321 309	132 111	34 880	62 645	563 632
Acquisition cost 30.09.2008	12 687	341 900	223 883	45 582	73 927	697 979
Accumulated depreciation 30.09.2008	0	-20 591	-91 772	-10 702	-11 282	-134 347

in thousands of euros

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction-in-progress	TOTAL
Acquisition cost 30.06.08	811	21 782	14 441	2 885	4 678	44 596
Accumulated depreciation 30.06.08	0	-1 030	-5 710	-576	-721	-8 037
Net book value 30.06.08	811	20 752	8 731	2 308	3 957	36 559
Additions	0	41	101	79	47	268
Disposals	0	0	-176	-37	0	-213
Reclassification	0	0	0	0	0	0
Depreciation charge	0	-257	-213	-121	0	-592
Net book value 30.09.2008	811	20 535	8 443	2 229	4 004	36 023
Acquisition cost 30.09.2008	811	21 851	14 309	2 913	4 725	44 609
Accumulated depreciation 30.09.2008	0	-1 316	-5 865	-684	-721	-8 586

in thousands of kroons

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction-in-progress	TOTAL
Acquisition cost 30.06.07	11 508	350 163	324 572	19 849	81 160	787 252
Accumulated depreciation 30.06.07	0	-10 319	-123 922	-8 135	0	-142 376
Net book value 30.06.07	11 508	339 844	200 650	11 714	81 160	644 876

INTERIM FINANCIAL STATEMENTS FOR THE FIRST 3 MONTHS OF THE FINANCIAL YEAR 2008/2009

Additions	0	513	7 756	578	27 660	36 507
Disposals	0	0	-1 175	-136	0	-1 311
Reclassification	0	0	12 743	1 345	-14 088	0
Depreciation charge	0	-2 603	-5 836	-947		-9 386
Net book value 30.09.2007	11 508	337 754	214 138	12 554	94 732	670 686
Acquisition cost 30.09.2007	11 508	350 676	343 419	20 336	94 732	820 671
Accumulated depreciation 30.09.2007	0	-12 922	-129 281	-7 782	0	-149 985

in thousands of euros

Consolidated	Land	Buildings and facilities	Machinery and equipment	Other non-current assets	Construction-in-progress	TOTAL
Acquisition cost 30.06.07	735	22 379	20 744	1 269	5 187	50 315
Accumulated depreciation 30.06.07	0	-660	-7 920	-520	0	-9 099
Net book value 30.06.07	735	21 720	12 824	749	5 187	41 215
Additions	0	33	496	37	1 768	2 333
Disposals	0	0	-75	-9	0	-84
Reclassification	0	0	814	86	-900	0
Depreciation charge	0	-166	-373	-61	0	-600
Net book value 30.09.2007	735	21 586	13 686	802	6 054	42 865
Acquisition cost 30.09.2007	735	22 412	21 948	1 300	6 054	52 450
Accumulated depreciation 30.09.2007	0	-826	-8 263	-497	0	-9 586

Note 8 Intangible assets

in thousands of kroons

Consolidated	Other intangible assets	Goodwill	Total
Acquisition cost 30.06.08	1 926	19 098	21 024
Accumulated amortisation 30.06.08	-264	0	-264
Net book value 30.06.2008	1 663	19 098	20 761
Additions	113	0	113
Amortisation charge	-46	0	-46
Net book value 30.09.2008	1 730	19 098	20 828
Acquisition cost 30.09.2008	2 039	19 098	21 137
Accumulated amortisation 30.09.08	-310	0	-310

in thousands of euros

	Other intangible assets	Goodwill	Total
Acquisition cost 30.06.08	123	1 221	1 344
Accumulated amortisation 30.06.08	-17	0	-17
Net book value 30.06.2008	106	1 221	1 327
	7	0	7
Amortisation charge	-3	0	-3
Net book value 30.09.2008	111	1 221	1 331
Acquisition cost 30.09.2008	130	1 221	1 351

Accumulated amortisation 30.09.08	-20	0	-20
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Consolidated			
in thousands of kroons	Other intangible assets	Goodwill	Total
Acquisition cost 30.06.07	559	62 459	63 018
Accumulated amortisation 30.06.07	-383	0	-383
Net book value 30.06.2007	176	62 459	62 635
Additions by merger	0	4 091	4 091
Amortisation charge	-7	0	-7
Net book value 30.09.2007	169	66 550	66 719
Acquisition cost 30.09.2007	559	66 550	67 109
Accumulated amortisation 30.09.07	-390	0	-390

Consolidated			
in thousands of euros	Other intangible assets	Goodwill	Total
Acquisition cost 30.06.07	36	3 992	4 028
Accumulated amortisation 30.06.07	-24	0	-24
Net book value 30.06.2007	11	3 992	4 003
Amortisation charge	1	0	1
Net book value 30.09.2007	11		
Acquisition cost 30.09.2007	36	4 253	4 289
Accumulated amortisation 30.09.07	-25	0	-25

Note 9 Borrowings

in thousands of kroons and euros

	Consolidated (in EEK)		Consolidated (in EUR)	
	30.09.2008	30.06.2008	30.09.2008	30.06.2008
Overdraft	19 553	19 658	1 250	1 256
Bonds	7 667	184 571	490	11 796
Bank loans	209 261	482 902	13 374	30 863
Finance lease liabilities	8 134	8 939	520	571
Total short-term borrowings	244 615	696 070	15 634	44 487
Long-term bonds	250 306	60 626	15 997	3 875
Long-term bank loans	574 391	227 559	36 710	14 544
Long-term finance lease liabilities	42 061	31 304	2 688	2 001
Total long-term borrowings	866 758	319 489	55 396	20 419

Bond issue

On 28 August 2008, AS Kalev issued, by placing, bonds with a term of 2 years (redemption date: 28 August 2010). The bonds were issued in two stages: 116.5 million kroons (7.5 million euros) worth of bonds were issued on 28 August 2008, and 79.1 million kroons (5.1 million euros) worth of bonds on 20

September 2008. The purpose of the bond issue was redemption of the previously issued bonds of AS Kalev and AS Kalev Real Estate Company. The bonds had a nominal value of 1,000 euros. The bond interest rate is the 3 month Euribor + margin (depends on the collateral).

51% of the shares of AS Kalev's subsidiary AS Kalev Real Estate Company have been established as collateral to the obligations arising from the bonds.

Note 10 Share capital

	Consolidated (in EEK)		Consolidated (in EEK)	
	30.09.2008	30.06.2008	30.09.2008	30.06.2008
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 11 Transactions with companies related to the Management Board of AS Kalev
in thousands of kroons and euros

	Consolidated (in EEK)		Consolidated (in EEK)	
	01.07.2008- 30.09.2008	01.07.2007- 30.09.2007	01.07.2008- 30.09.2008	01.07.2007- 30.09.2007
Goods and services purchased				
Balance at the beginning of the period	10 841	4 562	693	292
Services	11 494	6 268	735	401
Goods	6 399	38 288	409	2 447
Balance at the end of the period	9 260	6 298	592	403
Goods and services sold				
Balance at the beginning of the period	113	665	7	43
Services	9 225	566	590	36
Goods	142 159	39 152	9 086	2 502
Balance at the end of the period	140 025	1 577	8 949	101

Most of the related party transactions include purchase and sale transactions with AS Tere (purchase of crude milk and sale of dairy products). Services have been outsourced from AS Solidum under the Group equipment maintenance contract concluded with the company. Printing services have been purchased from AS Uniprint and AS Unipress.

In the period, the group repaid short-term loans to companies related to the General Manager in the total amount of 2,097 thousand kroons (134 thousand euros), and granted loans in the total amount of 30.5 million kroons (2.0 million euros). The group received a total of 11.7 million kroons (748 thousand euros) worth of loans. The interest charged on the loans received and loans granted falls between 8% and 12%.

The group supported non-profit associations related to the Management Board in the amount of 500 thousand kroons (32 thousand euros) in the period (200 thousand kroons, i.e. 13 thousand euros, in the comparative period).

A total of 111 thousand kroons (7 thousand euros) was paid in remuneration to the Management Board in the period (111 thousand kroons, i.e. 7 thousand euros, in the comparative period).

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

Note 12 Off-balance-sheet transactions and events after the balance sheet

Note 12.1 Acquisition of a stake in OÜ Põlva Piim Tootmine by AS Kalev Paide Tootmine

On 27 August 2008, AS Kalev's subsidiary AS Kalev Paide Tootmine signed a contract of purchase and sale of shares with OÜ AH Senior, OÜ Hatike, Faasani Kaubanduse OÜ and OÜ M.V.Food.

The contract was concluded on the purchase of four shares of OÜ Põlva Piim Tootmine (hereinafter "PPT") which have a total nominal value of 10 060 000 EEK (642 951 EUR) and make up 100% of the share capital. The purchase price amounts to 312 932 000 EEK (20 000 000 EUR), less PPT's interest-bearing liabilities as of the transaction date. The buyer will pay 8 000 000 kroons (511 293 euros) of the purchase price as advance payment upon conclusion of the contract of sale. The buyer will pay an annual interest of 8% on the difference between the final purchase price and the advance payment until full payment of the purchase price. The full purchase price shall be paid to the sellers on the date of completion of the ownership transfer transaction. The acquired shares have been encumbered for the benefit of AS SEB Pank in the amount of 197 000 000 kroons (12 590 595 EUR) and serve to guarantee PPT's financial liabilities to AS SEB Pank.

On 26 September 2008, the Director General of the Estonian Competition Authority issued a resolution, granting permit for the merger of AS Kalev Paide Tootmine and OÜ Põlva Piim Tootmine (on the grounds that apparently, the merger would not create a market dominating status on the crude milk stocking, dairy product, butter, butter mix or powder market in the meaning of the Competition Act). The main activity of OÜ Põlva Piim Tootmine is milk processing and marketing of dairy products. One-third of the company's turnover is generated from the domestic market. Export generates two-thirds of the turnover.

The extraordinary general meeting of the shareholders of AS Kalev, held on 9 October 2008, approved the acquisition of the stake of OÜ Põlva Piim Tootmine under the conditions stipulated in the agreement.

On 17 October 2008, AS Kalev Paide Tootmine completed the contract of purchase and sale of the 100% stake in OÜ Põlva Piim Tootmine. Under the memorandum on the completion of the transaction, the final purchase price of OÜ Põlva Piim Tootmine amounted to 231 845 640 kroons (14 817 637 EUR), of which AS Kalev Paide Tootmine has paid 8 000 000 kroons (511 293 EUR) in advance, with 8 031 640 kroons (513 315 EUR) to be paid before the end of 2008. The remainder of the final purchase price was paid on 17 October 2008 as payment against transfer of shares. For payment of the purchase price, AS Kalev Paide Tootmine used the monetary contribution made in the increase of the company's share capital by the parent company AS Kalev, as well as financial resources gained under the syndicate loan contract concluded with Nordea Bank Finland Plc and Bank DnB Nord A/S.

The transaction is not a transaction with a related party in the meaning of the requirements established for issuers by the Tallinn Stock Exchange. Neither do the members of the supervisory boards and

management boards of AS Kalev Paide Tootmine and AS Kalev have any other personal interest in the transaction.

12.2. The share of AS Kalev Paide Tootmine in AS Tere; merger agreement between the companies

On 29 September 2008, AS Kalev Paide Tootmine signed a contract of purchase and sales of shares with AS Rubla. The contract was concluded on the purchase of 8 000 000 shares of Tere AS (hereinafter „TERE“), nominal value: 10 kroons (0.64 EUR) per share, at a total nominal value of 80 000 000 kroons (5 112 932 EUR), which makes up 100% of the share capital.² Upon timely fulfilment of the preliminary conditions, including approval of the acquisition of the stake by the general meeting of the shareholders of AS Kalev, the transaction will be completed on 18 October 2008 at the latest. The total purchase price of the shares amounts to 929 376 750 kroons (59 398 000 EUR) and will be paid to the seller against transfer of ownership on the transaction completion date. The purchase price has been established based on the fair value analysis of TERE, conducted by AS Deloitte Advisory. With the acquisition of TERE, AS Kalev will complete the strengthening and restructuring of its dairy area. In the course of the process, AS Kalev's majority shareholder AS Rubla will incorporate all dairy activities into a single company.

Under the rules established for the issuer by the Tallinn Stock Exchange, the above contract of sale must be treated as a related party transaction. The transaction constitutes an intra-group transaction, under which AS Kalev's majority shareholder AS Rubla will sell the shares of its subsidiary TERE to a subsidiary of AS Kalev (i.e. AS Kalev Paide Tootmine). The members of the supervisory boards and management boards of AS Kalev Paide Tootmine, AS Rubla and AS Kalev have no other personal interest in the transaction. The transaction has been concluded under market conditions. The transaction on the acquisition of the shares of TER is treated as a related party transaction under the rules of the Tallinn Stock Exchange.

Held on 9 October 2008, the meeting resolved to approve the contract of purchase and sale of shares concluded between AS Kalev and AS Rubla on 29 September 2008, under which AS Kalev Paide Tootmine would purchase from AS Rubla all shares of AS Tere under the terms and conditions stipulated in the contract.

On 17 October 2008, AS Kalev Paide Tootmine completed the transaction on the purchase of 100% of the shares of AS Tere. Under the memorandum on the completion of the transaction, the final purchase price of the shares of TERE amounts to 929 376 750 kroons (59 398 000 EUR). All preliminary conditions for the transaction (the permit of the Estonian Competition Authority and the corresponding approval of the general meeting of the shareholders of AS Kalev) have been fulfilled. AS Kalev Paide Tootmine paid 786 578 287.54 kroons (50 271 515 EUR) for the shares of TERE. As

² Tere AS was established in the course of the restructuring of the food industry concern Tere on 27 July 2007, with the predecessor's dairy production, and the newly launched *kohuke* production (acquired from AS Kohuke) incorporated under AS Tere.

regards the remainder of the purchase price, 142 798 462.46 kroons (9 126 485 EUR), the parties will offset mutual receivables so that AS Rubla will assign to AS Kalev Paide Tootmine its payable to TERE, the company which is to be acquired by AS Kalev Paide Tootmine. The corresponding part of the purchase price will thus be considered as paid to AS Rubla. For payment of the purchase price, AS Kalev Paide Tootmine used the monetary contribution made in the increase of the company's share capital by the parent company AS Kalev, as well as financial resources gained under the syndicate loan contract concluded with Nordea Bank Finland Plc and Bank DnB Nord A/S.

On 30 October 2008, AS Kalev Paide Tootmine and its subsidiary AS Tere concluded a merger agreement on the companies' merger, with AS Tere (acquiring company) incorporating AS Kalev Paide Tootmine (company being acquired). The company being acquired will be considered as dissolved upon completion of the merger proceedings. By merger, the company being acquired will assign all of its assets to the acquiring company. The balance sheet date of the merger is 1 December 2008. The shares of TERE, which will be assigned to AS Kalev by merger, shall grant the right to participate in the profit allocation of the acquiring company from the moment of the entry of the merger in the commercial register. As the acquiring company, TERE shall grant the company being acquired (i.e. AS Kalev) the same rights as those provided to the shareholder of the acquiring company by law and the articles of association.

No special benefits will be granted to the members of the management boards and supervisory boards of the merging companies in connection with the merger. The Management Board and Supervisory Board of TERE will not change. Ülo Kivine will continue as the Managing Director of TERE, and Oliver Kruuda, Taavi Toots and Allan Viirma as members of the Supervisory Board. By merger, the share capital of the company being acquired will be replaced by the share capital of the acquiring company. AS Kalev will be provided 8 000 000 shares of AS Tere against the 42 974 324 shares of AS Kalev Paide Tootmine. After the merger, the share capital of the acquiring company will amount to 80 000 000 kroons, with all 8 000 000 shares of the acquiring company (nominal value: 10 kroons or 0.64 EUR per share), which make up 100% of the shares of the acquiring company, held by AS Kalev.

According to the management of AS Kalev, the above merger will have no effect on the share price of AS Kalev, as the merger involves the merger of two subsidiaries of AS Kalev, which are involved in a similar field of activity, with no major changes introduced in the issuer's economic activities.

In the meaning of the Tallinn Stock Exchange rules, the parties to the merger agreement constitute related parties.

12.3. Loan agreement with related party; AS Kalev Paide Tootmine share capital increase

On 9 October 2008, AS Kalev concluded a loan agreement with AS Rubla. Under the agreement, AS Rubla will provide AS Kalev with a loan in the total amount of 625 000 000 kroons (39 944 780 euros)

within one year after the conclusion of the agreement. The loan will be disbursed in instalments under the borrower's corresponding applications. The borrower is obliged to repay the loan amount within seven years after the conclusion of the loan agreement. AS Kalev is not required to pay interest, regardless of the credit used. The loan is intended for the purpose of financing the investments required for expansion of the business activities of AS Kalev. On 9 October 2008, AS Rubla transferred to AS Kalev the first instalment of 381 165 000 kroons (25 000 000 euros). The sum was used by AS Kalev as a monetary contribution to the share capital of AS Kalev's subsidiary AS Kalev Paide Tootmine.

The transaction constitutes a related party transaction—AS Rubla is a shareholder of AS Kalev. The loan agreement was approved by the general meeting of the shareholders of AS Kalev on 9 October 2008.

12.4. AS Kalev Paide Tootmine share capital increase

On 9 October 2008, AS Kalev (sole shareholder) resolved to increase the share capital of its subsidiary AS Kalev Paide Tootmine by 391 165 000 kroons (25 000 000 euros). The subsidiary will issue 39 116 500 new shares with a nominal value of 10 kroons (0.64 euros) each, with all the share acquired by AS Kalev. AS Kalev has made a monetary contribution in full payment of the shares. The new shares provide the same rights as those provided by other shares, granting the right to receive dividends in the financial year when the entry on the increase of the share capital is made in the commercial register. After the above changes, the share capital of AS Kalev Paide Tootmine will amount to 429 743 240 kroons (27 465 599 euros).

12.5. Transfer of a share in BCA Center OÜ

On 15 October 2008, AS Kalev concluded a contract of sale of the share of its subsidiary AS Kalev Real Estate Company (hereinafter Kalev REC), transferring its share in OÜ BCA Center. Kalev REC transferred a share with a nominal value of 60 000 kroons, making up 100%% of the share capital of OÜ BCA Center. The purpose of the transfer of the share is to reduce the interest-bearing liabilities of AS Kalev Group in accordance with the request of the banks which finance the dairy companies of AS Kalev Group.

The everyday business activity of OÜ BCA Center will not change – the people responsible for performance of the private partnership programme contracts concluded with the City of Tallinn will continue the programme. Ott Karolin and Peeter Lillestik will continue as members of the Management Board of OÜ BCA Center after the transfer.

Under the contract, Kalev REC shall have the right to repurchase the share within one year after transfer of the ownership. The object of the repurchase agreement is the share of OÜ BCA Center, which makes up 100% of the share capital of the private limited company, and votes represented by shares. With the expiry of the above term, the buyer shall be obliged to co-ordinate with Kalev REC a part of the transfer and encumbrance agreements, the share capital of OÜ BCA Center, amendment of the Articles of Association, removal of and appointment of new members of the management bodies as well as transfer or encumbrance of the assets of the private limited company. The buyer obliged to pay 70 000 000 (4 473 815 euros) kroons to Kalev REC for the share. This amount has been paid in full.

The transaction is not a related party transaction in the meaning of the Tallinn Stock Exchange rules. The Supervisory Board and Management Board of AS Kalev have no other interests regarding the transaction.

12.6. Option agreement on acquisition of the shares of AS Uniprint

On 19 September 2008, AS Kalev concluded an option agreement under which AS Kalev shall have the right to acquire 100% of the shares of AS Uniprint before 5 March 2009. With the option agreement, the parties restructured the contract of purchase and sale of the shares of AS Uniprint, which was concluded on 20 February 2007 and under which AS Kalev would have acquired the shares of AS Uniprint by 5 April 2009 at the latest (having previously made the contractual payments by the established terms). With the entry into force of the above option agreement, the contract of purchase and sale of the shares of AS Uniprint, concluded on 20 February 2007, will be terminated, with the parties concluding a new AS Uniprint shareholders' agreement.

The price of the shares to be acquired was not changed with the conclusion of the option agreement. AS Kalev shall have the right, during the option term, to acquire from the sellers all shares held by the sellers at a purchase price of 54.8 million kroons (3.5 million EUR), of which 4 million kroons (0.26 million EUR) had already been paid to the sellers in February 2007. The contractual option fee amounts to 0.7% of the unpaid purchase price per calendar month.

As a collateral to the fulfilment of the terms and conditions of the option agreement, AS Kalev will transfer to the sellers' securities account the 160 shares of AS Uniprint, which have been acquired by AS Kalev through previous transactions. Upon acquisition of the shares which form the object of the option agreement, the aforementioned shares will be returned to AS Kalev's securities account free of charge. AS Kalev's representatives will retain, during the option term, one seat in the Supervisory Board of AS Uniprint.

12.7. Change in the management of OÜ Põlva Piim Tootmine

With the resolution of the shareholder of AS Kalev Paide Tootmine's subsidiary OÜ Põlva Piim Tootmine from 11 November 2008, Ülo Kivine was appointed member of the Management Board of the private limited company. The previous management board members Raul Lusti, Viljar Veevo and Andrus Roiland, who had served as management board members so far, were removed. Aivar Häelm will continue as management board member together with Ülo Kivine. With the same resolution, the articles of association of OÜ Põlva Piim Tootmine were amended, establishing a supervisory board for the private limited company, with Oliver Kruuda, Taavi Toots and Allan Viirma appointed as supervisory board members.

Ülo Kivine also serves as the Managing Director of AS Tere since its establishment in July 2007. OÜ Põlva Piim Tootmine supervisory board members Oliver Kruuda, Taavi Toots and Allan Viirma serve as members of the supervisory board of AS Tere since July 2007. Oliver Kruuda and Taavi Toots also serve as members of the Management Board of the private limited company's parent company AS Kalev Paide Tootmine.

Oliver Kruuda holds shares of AS Kalev through various companies. Other members of the Management Board of OÜ Põlva Piim Tootmine, appointed with the resolution of 11 November 2008, hold no shares in AS Kalev.

12.8. Channel Neljas purchased by AS Kalev Meedia

On 17 October 2008, AS Kalev group companies AS Kalev Meedia and OÜ Eesti Spordikanal (hereinafter Kalev Meedia) concluded a contract with the telecommunication company Starman on the purchase of the TV channel Neljas. Under the contract, control of the management of the television channel Neljas, which is currently available only to Starman and ZUUMtv customers, and is planned to be switched to other TV operator networks after the entry into force of the transaction, will be transferred to Kalev Meedia. The channel will retain its present frequency on Starman networks and in the ZUUMtv package.

Channel Neljas, which was launched in February 2008, is an Estonian language television channel which focuses on quality entertainment, TV series and movies. Starman is the operator of the biggest cable network in Estonia, and renders television, Internet and telephone services to over 135,000 digital and analogue television customers. In addition to the cable network, Starman also broadcasts via the digital terrestrial television ZUUMtv. AS Starman's shares have been listed on the main list of the Tallinn Stock Exchange.

The transaction is not a related party transaction in the meaning of the Tallinn Stock Exchange rules.

12.9. Magazine Bravo acquired by AS Kalev Meedia

On 7 November 2008, AS Kalev Meedia signed a contract on the purchase of the Russian-language gossip and entertainment magazine Bravo. The weekly Bravo was established in 2007 and has a print run of 8 000 copies. The Bravo's target group is the Russian population in Estonia, between the ages of 18 and 50.

The transaction is not a related party transaction in the meaning of the Tallinn Stock Exchange rules.

12.10. Court dispute with AS Alta Foods

On 21 November 2008, Harju County Court passed a ruling, which blocked the shares held by AS Kalev in AS Kalev Paide Tootmine and AS Kalev Chocolate Factory for partial satisfaction of the petition of AS Alta Foods.

The court ruling is merely based on AS Alta Foods' allegations. AS Kalev will not therefore comment on the alleged claim or its justification. The court ruling reveals that no claim has been raised against AS Kalev in the Stockholm Court of Arbitration or other authorities.

Among other things, AS Kalev believes the court ruling to disproportionately encumber the assets of AS Kalev, considering the alleged claim of AS Alta Foods. At the same time, the court ruling is contestable, and AS Kalev intends to exploit all legal means in order to protect its interests. AS Kalev acknowledges that the court passed its ruling merely on the basis of the information forwarded by AS Alta Foods. The law therefore allows the court to review the ruling on the securing of the action on the basis of AS Kalev's corresponding petition.

AS Kalev disputes the claim made by AS Alta Foods on 24 November 2008 that the 93.9-million-kroon prepayment made by AS Kalev on the basis of the contract of purchase and sale of the shares of AS Kalev Chocolate Factory and certain other subsidiaries of AS Kalev, concluded between the parties on 20 September 2007, needs to be repaid to AS Alta Foods. AS Kalev finds that AS Alta Foods has no contractual basis for withdrawing from the contract, and that, by failing to fulfil its contractual obligations, AS Alta Foods has caused material damage to AS Kalev.