

SAKU ÕLLETEHASE AS
Saku Harju County
Registered No. 10030278

Annual Report

Beginning of the financial year
1.1.2000

End of the financial year
31.12.2000

The main field of activity:
production, wholesale and retail sale, import and export
of drinks with low alcohol content, mineral water and soft drinks

**Annual Report by SAKU ÖLLETEHASE AS
For the financial year 2000**

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1. Statement from the Management Board and the Council

The Annual Report of Saku Õlletehase AS (hereafter ‘the Saku Brewery’) for 2000 consists of the Activity Report, the Financial Statements, the Profit Allocation Proposal by the Management Board, and the Auditor’s Report.

The Management Board and the Council of the Saku Brewery confirm in good faith that the accounting data and other information contained in this Annual Report are correct, complete and present a true view of the economic activities and the financial position of the Saku Brewery as the parent company as well as of the other enterprises of the group.

Cardo Remmel
Chairman of the Management Board

Andres Erm
Chairman of the Council

Board Members
Jüri Jänese
Kersti Kurre
Karin Sepp
Riho Sõber
Ants Tulp

Council Members
Vesa Eero Isohanni
Jaak Leimann
Anders Torell
Lars Vegard Vonen

2. Activity Report

2.1. Operating Environment

In 2000, the following factors influenced the economic performance of the Saku Brewery:

- Cool weather in summer and the resulting decrease of consumption during the main season.
- Increasing competition in the beer, mineral water, and non-alcoholic beverages' market.
- Internationalisation of the activities of the enterprise.
- The activities of the enterprise as the sales representative of PepsiCo products in Estonia.
- Changes in Estonian legislation, the change of the Income Tax Act in particular.

The overview of the market situation, the sales activities, and the results have been provided under 2.2 Market and Consumption.

In 2000, the Baltic cooperation of the enterprises belonging to the Baltic Beverages Holding (BBH) became more active. The Saku Brewery contributed to the cooperation by exporting to the other enterprises canned beer and importing water and non-alcoholic beverages in the PET bottles.

In the reporting period ORKLA, the majority owner of the BBH, and Carlsberg concluded an agreement to establish a new enterprise — the Carlsberg Breweries. For the present moment this has also been reviewed and accepted by the authorities. The objective of the alliance is to optimise the use of the existing potential by increasing international cooperation.

Due to active realisation of the agreement between BBH and PepsiCo Inc (assumption of the sales responsibility for the PepsiCo non-alcoholic beverages marketing, as of January 1, 2000) and the vigorous entry into the non-alcoholic beverages market, the Saku Brewery received new investments and a compensation share from PepsiCo Inc. Also, joint activities were conducted in the purchase and sales of advertising services.

The following changes in Estonia's legislation have had a major effect on the activities of the Saku Brewery:

- Entry into force of the new **Income Tax Act** on January 1, 2000, according to which the enterprises do not have an obligation to pay taxes on income earned and can reinvest their profits without taxation. However, complementary taxation has been imposed on several expenses and activities at a considerably higher rate than before. During the reporting period the Saku Brewery paid such additional 'cost taxes' of 1,178 kroons. In addition, final income tax is to be paid on dividends distributed (except dividends distributed to resident legal persons). The amount of income tax payable on dividends may be reduced using a co-efficient that is calculated as a ratio of aggregate income tax paid

and net profits earned in 1994-1999. The Saku Brewery may adjust the amount of tax payable on dividends — the coefficient is 0.232 and, as of December 31, 2000, the sum of retained earnings for 1994-1999 amounted to 102,723 thousand kroons.

- Another important legislative development has been the entry into force of the **Alcohol Excise Act** on January 1, 2001. According to this law the production of alcohol is possible only based on the excise warehouse principle. The purpose of the Act is to harmonise the conditions of alcohol production, warehousing, and distribution with the European legal acts to provide for the free movement of alcoholic beverages in the EU. Several new reporting and supervision requirements have been imposed on the activities of the excise warehouse keeper. The Customs Board of Estonia has issued an activity license to the Saku Brewery to operate an excise warehouse.

The consumer price index reflecting the consumption situation in Estonia grew in 2000 on an average by 4% and in December 2000 by 5% in comparison to December 1999.

The market value of the Saku Brewery was measured by the growth of the value of its share by 14% (calculated as the ratio of the sales prices of the share on the first and last stock exchange days of 2000).

During the reporting period the Saku Brewery operated as a parent company of the group; however, no major activities took place in the subsidiaries AS Saku Linnas (presently under liquidation) and Saku Keldri OÜ.

2.2. Market and Consumption

In 2000 the estimated size of Estonia's beer market was 87.8 million litres which is 1% smaller than in 1999 (88.6 million litres). Imported beers accounted for about 6.2 million litres or about 7%, thus representing a decrease in relation to 1999 by three percentage points.

The Saku Brewery continued in 2000 as the leader of Estonia's beer market with the total market share of 48%, thereby achieving its main objective. During the reporting period the market share of the Tartu Brewery reached 31% and the share of Viru Õlu, the third brewery, was 9%.

Despite the increasing competition (an entry to the market of a major competitor with renovated production facilities and an established trademark), during the period the market share of the Saku Brewery decreased only by two percentage points. The main reason for the decrease in the market share was that the Saku Brewery did not follow the competitors into the heavy discount campaigning of especially strong and cheap beer brands. The segment of the very strong and cheap beers, although in the short run it allows to expand the market share, has a negative effect on profitability of the enterprise.

The main product of the Saku Brewery—Saku Originaal—maintained in 2000 the secure leader position in the beer market. According to a survey by Emor, it continued to be the best known and most beloved beer brand of Estonia.

The estimated beer consumption per capita reached 64 litres. In 1999, the same figure was 61 litres. However, there was no actual rise in the consumption of beer—the difference between the two figures was caused by the reassessment of the population number by the Statistical Office of Estonia.

The estimated size of the mineral water market was 23 million litres which was on an average 10% bigger than in 1999 (21 million litres). The per capita mineral water consumption reached about 16.5 litres, thus showing an increase of 10% over 1999. In 2000 the Saku Brewery's mineral water brand Vichy Classique also belonged among the most popular mineral waters of Estonia and retained the second position in the market.

In 2000, the estimated size of Estonia's non-alcoholic beverages' market was 43 million litres. The per capita consumption of non-alcoholic beverages amounted to 31 litres. The market share of PepsiCo, who started in 2000 practically from zero, amounted to 4%.

In the 2000, sales of beer, mineral water and soft drinks the more modest than average results were caused by low consumption due to the worse than average spring and summer weather.

The total sales of the Saku Brewery in 2000 amounted to 51.7 million litres and remained on an average on the same level as in 1999 (51.6 million litres). The sales volume of beers accounted for 45.9 million litres of the total sales which is 1.7 million litres or 3% less than in 1999. The sales of mineral water amounted to 3.5 million litres which is 0.4 million litres or 10% less than in 1999. Good results were achieved in the new segment of soft drinks where sales exceeded 2 million litres.

In 2000 the volume of exports of the original production of the Saku Brewery reached 3.7 million litres and grew in comparison to the previous year by 23.3%. In the reporting period the exports of original production accounted for 8% of the total sales of original production. The Saku Brewery exported its production to Finland, Latvia, Lithuania, and the USA.

The share of imports in the total sales of the Saku Brewery in 2000 reached 5.8 million litres. In comparison to the previous year the increase was 38.1% (1999 – 4.2 million litres) and it was achieved mainly due to the PepsiCo beverages.

2.3. Economic Activities and Results

The net sales of the group amounted to 729,619 thousand kroons which was 2% or 14,579 thousand kroons bigger than the previous year's figure. The main changes in the net turnover structure stem from changes in the product portfolio: the share of imported beverages rose by 1.5 percentage points and the share of services by 0.7

percentage points which respectively brought about a decrease in the share of beers by 1.4 percentage points and the share of bottles by 0.9 percentage points. The latter was brought about by a decrease in returnable bottles and a rise in the use of disposable packaging.

The group's operating expenses amounted to 664,601 thousand kroons marking a growth of 4% or 23,496 thousand kroons whereas the ratio of operating expenses to operating income grew in the reporting period by 0.6 percentage points over the previous period's results. In operating expenses the biggest growth can be noted in depreciation due to major investments made in recent years and the re-classification of operating leases as finance leases, and the expenditures on advertising, additional materials and imported beverages that supported the change in the product portfolio. The increase in labour expenses was brought about by the need to ensure the competitiveness of the enterprise on the labour market.

The operating income of the Saku Brewery amounted to 73,944 thousand kroons and it decreased in relation to the previous year by 2,095 thousand kroons or 3%. The net profit for 2000 was 73,955 thousand kroons; the net profit per share was 9.24 kroons and it grew by 21%.

The direct tax burden of the Saku Brewery in 2000 amounted to 220,567 thousand kroons; whereas the alcohol excise payments totalled 129,798 thousand kroons.

Among the financial indicators reflecting the effectiveness of the economic activities, a declining tendency was observable in the ratios relating to assets, owners' equity, and net turnover as well as the liquidity ratios. This shows that during the financial year assets and costs grew more quickly than turnover and income.

As of December 31, 2000, the enterprise had 269 full-time employees. The members of the Management Board were not compensated for their activities on the board and, during the period reported, the compensations paid to the members of the Council amounted to 100 thousand kroons.

2.4. Investments

The year 2000 was characterised by intensive investment activities. During the period the Saku Brewery purchased tangible and intangible fixed assets of 60.8 million kroons and made financial investments of 10.6 million kroons. The investments were completely financed with internal funds. Production-related investments of 20.8 million kroons were directed at upgrading a boiling line of the brew house, the yeast storage facility, raising the quality of yeast, and renovating a part of the bottling line. Investments began in increasing the capacity of the fermenting tanks.

29.9 million kroons were allocated to acquire marketing and sales support equipment and equipment for long-term use. The financial investments, the acquisition of the shares and bonds of AS Rocca al Mare Suurhall, have been made with the future in mind and are related to ensuring the marketing and sales rights. To upgrade the logistical solutions both in the area of warehousing as well as in transport, the

enterprise bought additional real estate from the Saku Autobaas and tidied up the territory of the former Saku Linnas. Total investments in this area amounted to 6.3 million kroons.

The computer systems were developed and the means of transportation were acquired for 3.4 million kroons.

3. Financial Statements (consolidated, audited)

Balance Sheet (in kroons)

	Group 31.12.2000	Group adjusted * 31.12.1999	Parent company 31.12.2000	Parent company adjusted * 31.12.1999
ASSETS				
Current Assets				
Cash and bank accounts (Note 2)	11,187,250	28,175,604	11,142,250	28,134,130
Shares and other securities (Note 3)	3,932,237	5,021,073	3,932,237	5,021,073
Customer receivables (Note 4)	31,591,532	32,191,690	31,479,945	31,864,061
Miscellaneous receivables and prepaid expenses (Note 5)	3,366,932	29,624,078	3,516,932	29,870,682
Inventories (Note 6)	88,173,510	61,353,807	88,173,510	61,353,807
Total current assets	138,251,461	156,366,252	138,244,874	156,243,753
Fixed assets				
Long-term financial investments (Note 7)	10,550,000	71,000	10,650,000	171,000
Long-term receivables (Note 8)	508,992		404,589	
Intangible assets (Note 9)	86,676		86,676	
Tangible assets (Notes 9,10)	234,910,500	194,736,414	234,910,500	194,736,414
Total fixed assets	246,056,168	194,807,414	246,051,765	194,907,414
TOTAL ASSETS	384,307,629	351,173,666	384,296,639	351,151,167
LIABILITIES				
Current Liabilities				
Loan payables (Note 10)	1,456,933	994,729	1,456,933	994,729
Supplier payables	15,376,328	15,509,565	15,376,328	15,509,565
Payables to the group and the parent company	4,443,155	1,239,689	4,443,155	1,239,689
Tax payables (Note 11)	6,439,943	7,816,528	6,439,943	7,816,528
Salary-related accrued expenses	3,732,408	5,416,239	3,732,408	5,416,239
Other liabilities	1,187,218	611,940	1,176,228	589,441
Total current liabilities	32,635,985	31,588,690	32,624,995	31,566,191
Long-term liabilities				
Non-convertible loan payables (Note 10)	3,522,661	766,180	3,522,661	766,180
Owners' Equity				
Share capital	80,000,000	80,000,000	80,000,000	80,000,000
Mandatory reserves	8,000,000	8,000,000	8,000,000	8,000,000
Other reserves	44,069,965	44,069,965	44,069,965	44,069,965
Retained earnings	142,123,983	125,791,294	142,123,983	125,905,518
Net profit for the period	73,955,035	60,957,537	73,955,035	60,843,313
Total owners' equity	348,148,983	318,818,796	348,148,983	318,818,796
TOTAL LIABILITIES AND OWNERS' EQUITY	384,307,629	351,173,666	384,296,639	351,151,167

*Adjustment of the data reflects the changes in accounting policies after reclassification of some of the operating lease agreements as finance lease agreements.

Income Statement (in kroons)

	Group 2000	Group, adjusted * 1999	Parent company 2000	Parent Company, adjusted * 1999
Operating Income				
Net sales (Note 12)	729,618,841	715,039,786	729,618,841	720,693,760
Change in finished goods and work-in-progress	2,681,486	1,480,839	2,681,486	1,861,471
Other operating income (Note 14)	6,244,932	613,629	6,221,500	580,739
Total operating income	738,545,259	717,134,254	738,521,827	723,135,970
Operating expenses (Note 15)				
Goods, raw materials, services	457,909,309	450,514,539	457,909,309	456,818,877
Miscellaneous operating expenses	115,705,926	112,845,400	115,682,101	112,647,157
Labour expenses	47,706,332	42,656,873	47,706,332	42,542,170
Depreciation	39,091,083	30,852,523	39,091,083	30,852,523
Other operating expenses	4,188,981	4,236,038	4,188,981	4,236,010
Total operating expenses	664,601,631	641,105,373	664,577,806	647,096,737
OPERATING PROFIT	73,943,628	76,028,881	73,944,021	76,039,233
Financial income (Note 16)	991,507	2,690,442	991,110	2,680,080
Financial expenses (Note 16)	725,300	2,741,946	725,296	2,856,170
PROFIT BEFORE TAXES	74,209,835	75,977,377	74,209,835	75,863,143
Income tax	254,800**	15,019,840	254,800**	15,019,830
NET PROFIT	73,955,035	60,957,537	73,955,035	60,843,313
Basic earnings per share (Note 17)	9.24	7.62	9.24	7.61
Diluted earnings per share	9.24	7.62	9.24	7.61

*Adjustment of the data reflects the changes in accounting policies after reclassification of some of the operating lease agreements as finance lease agreements.

** In connection with additional information that became known on the 1998 taxation period other operating expenses for 2000 were reduced by one million kroons and additional income tax of 254,800 kroons was paid for 1998 which, reduced the net profit for 2000.

Cash flow statement (in kroons)

	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Profit before taxes	74,209,835	76,029,104	74,209,835	75,914,870
Income tax	-254,800	-15,019,840	-254,800	-15,019,830
Depreciation	39,091,083	30,852,523	39,091,083	30,852,523
Sales and write-offs of fixed assets	92,454	-86,112	92,454	-86,112
Expenses incurred from revaluation of shares of Saku Keldri OÜ under the equity method				114,224
Total	113,138,572	91,775,675	113,138,572	91,775,675
Change in the value of financial investment: incl. Change in the value of the short-term financial investments	1,088,836 1,088,836	-3,090,911 -5,021,073	1,088,836 1,088,836	-3,090,911 -5,021,073
Change in the value of the long-term financial investments		1,930,162		1,930,162
Change in inventories	-26,819,703	-4,777,437	-26,819,703	-5,047,567
Change in trade receivables	26,214,519	-1,575,599	26,206,720	-61,537
Change in current liabilities	585,091	2,965,592	596,600	3,248,839
Total	1,068,743	-6,478,355	1,072,453	-4,951,176
Net cash from operating activities	114,207,315	85,297,320	114,211,025	86,824,499
Investing activities				
Acquisition of fixed assets	-74,982,822	-51,643,782	-74,982,822	-51,643,782
Cash from sales of fixed assets	490,422	652,100	490,422	652,100
Acquisition of land	-366,823		-366,823	
Acquisition of shares	-1,950,000		-1,950,000	
Collection of long-term receivables	151,513		114,277	
Acquisition of debt securities	-8,600,000		-8,600,000	
Cash from liquidation of subsidiaries				200,000
Redemption of loans by debtors	53,280	541,440	53,280	541,440
Net cash used in investing activities	-85,204,430	-50,450,242	-85,211,666	-50,250,242
Financing activities				
Dividends paid	-40,000,000	-32,000,000	-40,000,000	-32,000,000
Income tax on dividends paid	-4,624,848		-4,624,848	
Finance lease payments incl. Finance lease interest	-1,936,695 570,304		-1,936,695 570,304	
TOTAL CASH FLOWS	-16,988,354	2,847,078	-16,991,880	4,574,257
Cash, opening balance	28,175,604	25,328,526	28,134,130	23,559,873
Cash, closing balance	11,187,250	28,175,604	11,142,250	28,134,130
Net change in cash	-16,988,354	2,847,078	-16,991,880	4,574,257

No adjustments have been made to the cash flow statement of 1999.

Change in Owners' Equity (in kroons)

	Group 2000	Group adjusted 1999	Parent company 2000	Parent company adjusted 1999
Share capital	80,000,000	80,000,000	80,000,000	80,000,000
Mandatory reserves	8,000,000	8,000,000	8,000,000	8,000,000
Other reserves	44,069,965	44,069,965	44,069,965	44,069,965
Retained earnings				
At the beginning of the period	186,748,831	157,791,294	186,748,831	157,905,518
Dividends paid	-40,000,000	-32,000,000	-40,000,000	-32,000,000
Income tax on dividends paid	-4,624,848		-4,624,848	
By the end of the period	142,123,983	125,791,294	142,123,983	125,905,518
Profit of the reporting period	73,955,035	60,957,537	73,955,035	60,843,313
Total owners' equity	348,148,983	318,818,796	348,148,983	318,818,796

The share capital of the Saku Brewery of 80 million kroons was made up of 8 million registered shares with the nominal value of 10 kroons. According to the articles of association of the parent company, the minimal amount of share capital is 80 million kroons and the maximum amount of share capital is 320 million kroons.

Notes to the Financial Statements

Note 1. Accounting Policies

The annual financial statements for 2000 have been compiled in accordance with the generally accepted accounting principles of the Republic of Estonia. The main requirements of the generally accepted accounting principles of the Republic of Estonia have been established by the Accounting Act of the Republic of Estonia, supplemented by the guidelines issued by the Accounting Board of the Republic of Estonia and the International Accounting Standards (IAS).

Consolidation Principles

Saku Keldri OÜ, a 100% subsidiary of the Saku Brewery, has been included in the consolidated financial statements using the line-by-line consolidation principle. Reciprocal receivables and payables as well as income and expenses have been eliminated. In the consolidated balance sheet, the investments in subsidiaries have been eliminated with their owners' equity. In the balance sheet of the parent company, investment in the shares of subsidiaries has been accounted for under the equity method.

Cash

In the cash flow statement, “cash” denotes cash at hand, bank accounts and short-term deposits.

Foreign Currency

The purchases of foreign currency have been accounted for according to the exchange rate quoted by a commercial bank on the day of the purchase. In the balance sheet, these amounts have been translated into Estonian kroons using the official closing exchange rate of the Bank of Estonia. The amounts received in foreign currency and immediately thereafter converted into Estonian kroons have been accounted for according to the exchange rate quoted by a commercial bank on the date of receipt. Foreign currency receivables and payables have been accounted for according to the official exchange rate of the Bank of Estonia on the date of the transaction. The sums received in foreign currency, that were not converted into Estonian kroons upon receipt, have been restated using the exchange rate of the Bank of Estonia of the date of receipt. Exchange gains and losses have been reported in the income statement as income and expenses.

Short-term Financial Investments

In the balance sheet, short-term financial investments have been reported according to what is lower — either the acquisition cost or net realisable value, and the change in their value has been shown in the income statement as financial income or expense.

Long-term Financial Investments

Shares in the subsidiaries, portfolio investments, and loans have been reflected as long-term financial investments in a conservative manner according to their realisable value.

Sales

Sales income has been reflected at net realisable value and does not include taxes. Sales income is accounted for on an accrual basis as of the moment when an invoice has been issued to the buyer.

Receivables

The receivables reflected in the balance sheet have been accounted for based on their recoverability. Doubtful customer receivables — the ones which are unlikely to be collected or the ones whose deadline has been exceeded by more than 180 days — have been expensed. Collection in the financial year of items previously expensed as irrecoverable has been reported as an adjustment to doubtful receivables.

Long-term Receivables

Receivables that stem from the sales of assets on an instalment plan and whose term exceeds one year have been reflected as long-term receivables.

Inventories

Inventories have been counted, and reported in the balance sheet depending on whichever is lower: the acquisition cost or net realisable value. The work in progress and the finished production have been accounted for at conversion cost including the direct and indirect production costs. The FIFO method has been used to calculate expenses on raw material, work in progress, and finished products.

Tangible Assets

Assets utilised for more than one year whose purchase price exceeds 10,000 kroons are accounted for as fixed assets. Fixed assets are carried at acquisition cost from which accumulated depreciation has been subtracted. Depreciation is calculated using the straight-line method.

The following depreciation rates are used:

Computer hard- and software	33.3%
Machinery and equipment	12.5 – 20 %
Constructions	5 – 10 %
Buildings	3 - 5 %

Intangible Assets

Intangible assets include “Cost Control”, a software used for activity-based cost accounting.

Operating Lease and Finance Lease

The lease agreements that can be terminated without making additional payments, and in the case of which title to the asset is not transferred to the leaseholder either during the lease period or by the end of it have been accounted for as operating leases. The operating lease payments have been expensed, based on the accrual method.

Leases that cannot be classified as operating leases have been recognised as finance leases. The assets under finance lease and finance lease liabilities have been recognised according to their deadlines. The assets leased according to terms and conditions of finance lease have been reported at their acquisition cost, which has been reduced by the residual value and accumulated depreciation. Since the leased assets are to be returned, they have been assigned depreciation periods that are equal to their lease terms.

Changes in Accounting Policies

Based on the guidelines of the Accounting Board of the Republic of Estonia ERS 9 “Lease Accounting” some lease agreements that used to be reported as operating leases were recognised as finance leases. In connection with this, the opening balance sheets of the group and the parent company for 2000 have been adjusted in the following way: the value of tangible fixed assets has been increased by 1,709,182 kroons, short-term liabilities have been

increased by 994,729 kroons, a long-term loan liability of 766,180 kroons has been added and the profit for 1999 has been reduced by 51,727 kroons.

Note 2. Cash and Bank Accounts

	(in kroons)			
	Group	Group	Parent company	Parent company
	31.12.2000	31.12.1999	31.12.2000	31.12.1999
Cash and bank deposits	11,187,250	4,004,060	11,142,250	3,962,586
Short-term bank deposits		24,171,544		24,171,544
Total	11,187,250	28,175,604	11,142,250	28,134,130

Note 3. Shares and Other Securities

	(in kroons)			
	Group	Group	Parent company	Parent company
	31.12.2000	31.12.1999	31.12.2000	31.12.1999
Hansa Money Market Fund		1,000,000		1,000,000
Shares of AS Saku Linnas	3,932,237	4,021,073	3,932,237	4,021,073
Total	3,932,237	5,021,073	3,932,237	5,021,073

In the balance sheet, the investment in the shares of AS Saku Linnas (under liquidation) has been accounted for as a short-term investment. This investment was written down and the write-down has been reported in the income statement under financial expenses.

In the final balance sheet as of January 17, 2001 the net assets of AS Saku Linnas (is being liquidated) amounted to 3,914,683 kroons. The deletion entry should be made at the Registry Department of the Tallinn Municipal Court in February 2001.

Note 4. Customer Receivables

	(in kroons)			
	Group	Group	Parent company	Parent company
	31.12.2000	31.12.1999	31.12.2000	31.12.1999
Settlement with customers	32,167,142	32,962,757	32,055,555	32,635,128
Uncollectible receivables written off	-600,002	-785,637	-600,002	-785,637
Collection of previously expensed uncollectible items	24,392	14,570	24,392	14,570
Total	31,591,532	32,191,690	31,479,945	31,864,061

In 2000, the ratio of expensed uncollectible receivables to net sales was 0.08 %.

Note 5. Miscellaneous Receivables and Prepaid Expenses

	(in kroons)			
	Group	Group	Parent company	Parent company
	31.12.2000	31.12.1999	31.12.2000	31.12.1999
Receivables from subsidiaries and parent company	1,771,841	109,131	1,921,841	378,743
Other current receivables	1,201,431	28,369,077	1,201,431	28,369,077
Interest receivables		900,098		900,098
Tax receivables	87,380	72,115	87,380	49,107
incl. Income tax on gifts and sponsorship	86,784		86,784	
Value added tax		7,568		
Land tax	596		596	
Prepaid corporate income tax		64,547		49,107
Other prepaid expenses	288,560	173,657	288,560	173,657
Loan receivables	17,720		17,720	
Total	3,366,932	29,624,078	3,516,932	29,870,682

Note 6. Inventories

	(in kroons)			
	Group	Group	Parent company	Parent company
	31.12.2000	31.12.1999	31.12.2000	31.12.1999
Raw materials	30,324,605	21,417,272	30,324,605	21,417,272
Work in progress	7,520,635	6,645,750	7,520,635	6,645,750
Finished goods	6,049,659	4,243,058	6,049,659	4,243,058
Goods purchased for resale	39,102,966	25,317,505	39,102,966	25,317,505

Kegs in deposit	3,316,995	2,857,808	3,316,995	2,857,808
Advances to suppliers	1,858,650	872,414	1,858,650	872,414
Total	88,173,510	61,353,807	88,173,510	61,353,807

In 2000, depreciation of bottles amounted to 1,175 thousand kroons and the write-offs of obsolete materials totalled 688 thousand kroons.

In 2000, in comparison to the previous year, the inventories of the parent company increased by 44% — the main reason being the purchase of malt in anticipation of a price increase and the buy-back of bottles by BBH.

Note 7. Long-term Financial Investments

In the group only the parent company has made long-term financial investments.

	(in kroons)			
	Group 31.12.2000	Group 31.12.1999	Parent company 31.12.2000	Parent company 31.12.1999
Saku Keldri OÜ	0	0	100,000	100,000
Shares of the AS Rocca al Mare Suurhall	1,950,000		1,950,000	
Bonds of AS Rocca al Mare Suurhall	8,600,000		8,600,000	
Long-term loans		71,000		71,000
Total	10,550,000	71,000	10,650,000	171,000

The shares of the subsidiary and the portfolio investments in the balance sheet of the parent company

	Amount	Acquisition cost	(in kroons)		Share %
			Acquisition 2000	Balance 31.12.2000	
		1.1.2000	2000	31.12.2000	
Saku Keldri OÜ	1 share	100,000	0	100,000	100
AS Rocca al Mare Suurhall	13 personal B shares		1,950,000	1,950,000	0.03
AS Rocca al Mare Suurhall	86 registered bonds of one type		8,600,000	8,600,000	61.4
Total		100,000	10,550,000	10,650,000	

The owners' equity of the subsidiary Saku Keldri OÜ, as of December 31, 2000, equalled its share capital of 100,000 kroons.

The nominal value of one B share of AS Rocca al Mare Suurhall is 100 kroons; the nominal value of one bond is 100,000 kroons. The shares were acquired with a

premium of 149,900 kroons per share. The bonds were acquired and recognised at the nominal value. The bonds are purpose-oriented and do not bear interest. According to the agreements concluded, the Saku Brewery will acquire in 2000-2001 22 shares and 140 bonds. The bonds are to be redeemed at their nominal value during 10 years starting from the implementation of the hall at the rate of 1/10 of the total value each year.

The acquisition of the shares gives the right to use and dispose of one of the boxes of the hall on the agreed terms and conditions. The decrease over time of the value of the acquisition cost of the non-interest bearing bonds shall be compensated by a ten year co-operation agreement on the use of the recreational complex, presently under construction by AS Rocca al Mare Suurhall. According to the agreement the complex shall bear the name of Saku Suurhall (the Great Hall of Saku). The agreement grants the Saku Brewery several important sales and advertising rights. To reduce the credit risk accompanying the acquisition of the bonds, all the agreements related to the investment have been concluded with the proviso that if ownership of the hall changes, all the agreements will be transferred to the new owner on the same conditions.

Loans

	(in kroons)				
	Balance	Interest	Repayment	Balance	Loan repayment deadline
	1.1.2000	%	2000	31.12.2000	
Loans to employees	71,000	0	53,280	17,720	2001

Loans to employees of 71,000 kroons, accounted for in the 1999 balance sheet under "Long-term financial investments", have been, due to the repayment date, disclosed in the 2000 balance sheet at their residual value of 17,720 kroons under "Miscellaneous receivables and prepaid expenses".

Note 8. Long-term Receivables

The long term receivables of the group in the sum of 508 992 kroons and of the parent company in the sum of 404,589 kroons constitute receivables from sales of tangible fixed assets on an instalment plan to three and two enterprises respectively.

Note 9. Intangible and Tangible Fixed Assets

In the group only the parent company owns fixed assets.

	31.12.00	31.12.99	Reference
Net book value of tangible assets	214,109,108	191,663,513	Transactions with tangible fixed assets Table on page 19
Assets under finance lease	4,892,297	1,709,182	Note 10
Prepayments for fixed assets	1,524,088	200,000	
Constructions in progress	14,385,007	1,163,719	
Total tangible fixed assets	234,910,500	194,736,414	

**Transactions with fixed assets in 2000.
(in kroons)**

Structure of fixed assets	As of 31.12.1999		2000			As of 31.12.2000		
	Acquisition Cost	Accumulated depreciation	Booked at cost	Sold, written down or off at cost	Depreciation for the period	Acquisition cost	Accumulated depreciation	Net book value
Tangible fixed assets								
Buildings and constructions	94,311,706	17,060,131	6,723,489	253,960	3,155,656	100,781,235	20,036,739	80,744,496
Machinery and equipment	186,886,681	93,205,302	26,781,746	13,972,627	22,660,980	199,695,800	108,779,485	90,916,315
Motor vehicles	9,900,353	4,092,047	2,490,771	2,616,716	1,884,081	9,774,408	4,012,901	5,761,507
	2,138,461	534,020	948,283	416,596	721,313	2,670,148	1,340,465	1,329,683
IT equipment								
Equipment	30,284,784	19,596,753	23,404,007	1,268,423	9,264,618	52,420,368	20,059,865	32,360,503
Land	2,629,781		366,823			2,996,604		2,996,604
Total	326,151,766	134,488,253	60,715,119	18,528,322	37,686,648	368,338,563	154,229,455	214,109,108
Intangible fixed assets			89,150		2,474	89,150	2,474	86,676

Note 10. Operating Lease and Finance Lease

Only the parent company has entered into operating lease and finance lease agreements. During the reporting period operating lease payments of 480,862 kroons were made according to nine operating lease agreements and recognised as expenses on the firm's own means of transportation. Motor vehicles were leased under 21 finance lease agreements. The related finance lease payables and payments are presented in the table.

	(in kroons)	
	Motor vehicles as of 31.12.2000	Motor vehicles as of 31.12.1999
Acquisition cost	7,021,378	2,436,302
Accumulated depreciation	<u>2,129,081</u>	727,120
Finance lease payables	4,979,594	1,760,909
Incl. Payable in up to one year	<u>1,456,933</u>	994,729
More than one year	<u>3,522,661</u>	766,180

During 2000, vehicles of 4,585,076 kroons were acquired under finance lease. Finance lease payments amounted to 1,936,695 kroons and interest payments to 579,304 kroons. The interest rate of the lease agreements remains between 8.6 and 18.1%.

Note 11. Tax Payables

As of December 31, 2000, only the parent company had tax payables.

	(in kroons)			
	Group	Group	Parent company	Parent company
	31.12.2000	31.12.1999	31.12.2000	31.12.1999
Corporate income tax	23,814		23,814	
Income tax on fringe benefits		77,252		77,252
Alcohol excise tax	2,954,798	4,533,660	2,954,798	4,533,660
Value added tax	3,382,650	3,107,566	3,382,650	3,107,566
Social tax	78,681	98,050	78,681	98,050
	6,439,943	7,816,528	6,439,943	7,816,528

Note 12. Net Sales by Category

By product or service (in kroons)

	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Saku beers	338,141,975	339,270,371	338,141,975	341,380,523
Imported beers	9,086,989	10,480,293	9,086,989	10,480,293
Saku mineral water	2,268,488	2,956,002	2,268,488	2,956,002
Other Saku beverages	4,477,219	4,048,986	4,477,219	4,048,986
Other imported beverages	40,377,066	28,305,896	40,377,066	28,305,896
Bottles	324,817,916	324,653,255	324,817,916	324,640,455
Heat, electricity, water	47,607	169,624	47,607	282,729
Refuse	1,046,572	1,050,422	1,046,572	1,050,422
Rental payments	355,600	276,520	355,600	818,419
Other goods and services	8,999,409	3,828,417	8,999,409	6,730,035
Total	729,618,841	715,039,786	729,618,841	720,693,760

By markets (in kroons)

	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Estonia	693,704,385	683,377,366	693,704,385	690,822,203
Export	35,914,456	31,662,420	35,914,456	29,871,557
Total	729,618,841	715,039,786	729,618,841	720,693,760

Note 13. Transactions with Related Parties

	Purchases in 2000	(in kroons) Sales in 2000
A/O Aldaris	12,027,268	3,329,772
UAB Jungtinis Alaus Centras	63,950	9,050,713
OY Hartwall AB	5,852,393	2,209,400
Baltic Beverages Holding AB	3,666,100	6,692
Baltic Beverages Eesti AS		111,060
AS Saku Linnas	3,037,500	
Total	24,647,211	14,707,637

Related parties include business entities that belong to the group of Baltic Beverages Holding AB. Transactions with related parties were effected at prices which do not include internal profit. The sales of the Saku Brewery comprised sales of production and bottles, and rent of premises; purchases comprised purchase of goods, bottles, raw materials, and management and consulting services.

Note 14. Other Operating Income

	Group 2000	Group 1999	(in kroons) Parent company 2000	Parent company 1999
Profit from sales of fixed assets	143,476	145,136	143,476	145,136
Recognition of liabilities as revenue	104,922	88,693	104,922	88,693
Interest on arrears received	74,416	87,419	50,984	54,529
Insurance compensations	154,564	159,648	154,564	159,648
Foreign exchange gain	1,112,297	132,733	1,112,297	132,733
Compensation for investments	4,655,257		4,655,257	
Total other operating income	6,244,932	613,629	6,221,500	580,739

Note 15. Operating Expenses

(in kroons)

	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Raw materials	40,721,505	40,138,056	40,721,505	40,138,056
Additional materials	36,171,143	31,930,969	36,171,143	30,642,152
Bottles	325,242,911	325,115,394	325,242,911	325,093,594
Imported beverages	28,314,497	26,239,486	28,314,497	26,239,486
Beer from subsidiaries				6,252,966
Other	27,459,253	27,090,634	27,459,253	28,452,623
Total expenses on goods, raw materials, services	457,909,309	450,514,539	457,909,309	456,818,877
Advertising	39,814,242	30,889,080	39,814,242	30,889,080
Transport	25,135,064	24,331,384	25,135,064	24,331,384
Expenses on the means of transportation owned by the enterprise	6,304,205	6,774,939	6,304,205	6,774,939
Sewerage	6,908,267	6,565,889	6,908,267	6,496,813
Repair of buildings	2,637,039	8,371,619	2,637,039	8,371,619
Repair of equipment	5,101,252	4,100,227	5,101,252	4,100,227
Low-price equipment and IT expenses	4,444,411	4,446,275	4,444,411	4,471,209
Other services purchased	10,699,402	9,632,400	10,699,402	9,410,163
Other expenses	14,662,044	17,733,587	14,638,219	17,801,723
Total miscellaneous expenses	115,705,926	112,845,400	115,682,101	112,647,157
Wages and Salaries	35,656,026	31,884,828	35,656,026	31,799,434
Social tax	12,050,306	10,772,045	12,050,306	10,742,736
Total labour expenses	47,706,332	42,656,873	47,706,332	42,542,170
Sales and write-offs of fixed assets	235,930	59,024	235,930	59,024
Sponsoring, expenses not related to the main production activities	3,276,529	1,944,432	3,276,529	1,944,432
Interest on arrears	40,984	69,974	40,984	69,946
Foreign exchange losses	635,538	2,162,608	635,538	2,162,608
Total other operating expenses	4,188,981	4,236,038	4,188,981	4,236,010

Note 16. Financial Income and Expenses

(in kroons)

Interest income	876,541	2,689,925	876,144	2,680,080
Exchange gains	114,966	517	114,966	
Total financial income	991,507	2,690,442	991,110	2,680,080
Interest expenses	625,793		625,793	
Exchange losses	10,671	157	10,667	157
Financial expenses from subsidiaries	88,836	2,741,789	88,836	2,856,013
Total financial expenses	725,300	2,741,946	725,296	2,856,170

Note 17. Earnings per Share

(in kroons)

	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Net profit	73,955,035	609,57,537	73,955,035	60,843,313
Number of shares	8,000,000	8,000,000	8,000,000	8,000,000
Net profit per share	9.24	7.62	9.24	7.61
Diluted earnings per share	9.24	7.62	9.24	7.61

Note 18. Contingent Liabilities

The Management Board has proposed that 40,000,000 kroons be distributed to the shareholders as dividends. The proposal has to be approved by the general meeting of shareholders. According to the structure of shareholders as of December 31, 2000, the payment of dividends would be accompanied by an income tax liability of 4,621,239 kroons and undistributed profits would decrease by a total of 44,621,239 kroons. If the structure of shareholders entitled to dividends proves different from the structure on December 31, 2000, the income tax liability from the payment of the dividends may be different as well.

Note 19. The Number of Shares Owned by Members of the Management Board and the Council

The shares belonging to the members of the Management Board and the Council of the Saku Brewery, as of December 31, 2000:

Council

	Number of shares	%
Andres Erm	2,436	0.0304%
Anders Terrell	-	-
Vesa Eero Isohanni	-	-
Lars Vegard Vonen	-	-
Jaak Leimann	46	0.0006%
Total held by Council:	2,482	0.031%

Management Board

	Number of shares	%
Cardo Rimmel	33,696	0.4212%
Jüri Jänese	7,700	0.0962%
Karin Sepp	2,000	0.0250%
Kersti Kurre	500	0.0062%
Riho Sõber	-	-
Ants Tulp	-	-
Total held by Management Board:	43,896	0.5486%
Total held by Management Board and Council:	46,378	0.5797%

4. Profit Allocation Proposal by the Management Board

The Management Board of the Saku Brewery (Saku Õlletehase AS) makes the proposal to allocate the net profit as follows:

- to declare net dividends—the share of the profit payable to shareholders—in the total amount of 40 million kroons or 5 kroons per share, whereby, according to the rules of the Tallinn Stock Exchange, the list of shareholders at the Estonian Central Depository for Securities as of the fifteenth stock exchange day after the day of the general meeting of the shareholders at eight hours a.m. shall be taken as the basis for the list of shareholders entitled to receive dividend payments.
- to pay the dividends from the retained earnings of 1994-1999
- to increase retained earnings by the net profit for 2000 of 73,955,035 kroons.

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**AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAKU
ÕLLETEHASE AS**

We have audited the accompanying financial statements of Saku Õlletehase AS, comprising the balance sheet as of 31 December 2000, the related statement of income for the year then ended, the notes to the financial statements and the corresponding consolidated financial statements and notes thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Estonian Guidelines on Auditing. Those guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Parent Company

In our opinion, the financial statements give a true and fair view of the financial position of Saku Õlletehase AS as of 31 December 2000, and of the results of its operations for the year then ended in accordance with the Estonian Accounting Act.

Group

In our opinion, the consolidated financial statements of Saku Õlletehase AS are prepared in accordance with the consolidation principles defined in the International Accounting Standards and give a true and fair view of the consolidated financial position of Group as of 31 December 2000, and of the results of its operations for the year then ended.

2 February 2001, Tallinn

KPMG Estonia



Andres Root
Authorised Public Accountant



Andris Jegers
Authorised Public Accountant