

SAKU BREWERY LTD
Saku Harju County
Commercial Register number 10030278

ANNUAL REPORT

Beginning of financial year
1.1.2001

End of financial year
31.12.2001

Core activities:
Production, sale, import and export of
low-alcohol beverages, mineral water
and soft drinks

**SAKU BREWERY LTD
ANNUAL REPORT 2001**

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1. SIGNATURES

The annual report of Saku Brewery Ltd for 2001, set out on pages 1 to 26, including the activity report, the annual financial statements, the profit allocation proposal and the auditor's report is signed by the following members of the management and supervisory boards of Saku Brewery Ltd:

Cardo Remmel
Chairman of the
Management Board

Andres Erm
Chairman of the
Supervisory Board

Management Board Members:

Supervisory Board Members:

Jüri Jänese

Vesa Eero Isohanni

Kersti Kurre

Jaak Leimann

Karin Sepp

Lars Vegard Vonen

Riho Sõber

Ants Tulp

2. ACTIVITY REPORT

2.1. Operating environment

The past financial year saw:

- a rapid development of the retail trade in combination with continued consolidation into chains, the opening of new hypermarkets and shopping centres along with a trend of offering signal products at special prices, and extensive advertising and sales campaigns;
- increasing competition in the local beer, cider, mineral water and soft drinks markets. In 2000 and 2001 the premium beers segment was penetrated by new trademarks launched by the local breweries Tartu Õlletehas (Tartu Brewery) and Viru Õlu (Viru Brewery). We responded by penetrating the local cider market, expanding the range of our soft drinks and continuing innovative product development in the beer market.
- continued internationalisation;
- reinforcement of natural monopolies in the energy sector; and
- changes in legislation, in the Competition Act and the Alcohol Act in particular.

You will find a full description of markets and consumption in section 2.2. Markets and consumption.

The practical lack of competition in the supply of electricity, gas, and sewerage services has allowed the providers more or less to dictate their terms and has increased the inputs of power intensive businesses.

The most relevant legislative changes included:

- harmonisation of the Competition Act with the EU requirements. For Saku Õlletehas AS, as the leader of the beer market, this means that the regulations and restrictions concerning establishment of partnerships and performance of advertising campaigns have to be observed with special care;
- changes in the Alcohol Act, which ban retail sale of alcoholic beverages through street vendors, an amendment of special significance for the producers of mild alcoholic beverages;
- adoption of acts regulating holidays, wages, employment contracts, and unemployment and pension insurance, which brought about new requirements, procedures and supervisory obligations and increase the employer's and employee's tax burden from 2002; and

- the Contracts and Extra-contractual Obligations Act, which governs all contractual relations and damage claims.

The consumer price index, the main measure of the consumption environment, increased in Estonia in 2001, on average, by 4.2 per cent. According to the information available at the end of November, the period's producer price index (calculated on the basis of prices excluding taxes) grew by 4 per cent.

As regards our shares, individual shareholdings continued increasing on account of a decrease in the number of shareholders. The period's average share price was EEK 60.9.

In 2001 Saku Õlletehase AS operated as a parent in a group where the subsidiaries AS Saku Linnas (under liquidation) and Saku Keldri OÜ did not conduct any operating activities. Therefore, in the following the performance and results of Saku Õlletehase AS have been presented as those of the parent.

2.2. Markets and consumption

Beer

In the past financial year beer consumption in Estonia increased from 64 to 67 litres per capita. The market grew by 4 per cent to 92 million litres. The share of imported beers was 4 million litres or 4 per cent, a decrease of 2 percentage points on 2000.

Our share increased despite stiff competition by 0.5 percentage points and according to the Estonian Breweries Association by the end of the year we controlled 49 per cent of the market. The second and third places were claimed by Tartu Õlletehas and Viru Õlu with 34 per cent and 7 per cent respectively. Smaller market players included Pärnu, Karksi, Viru-Nigula and Saaremaa breweries.

In 2001 the share of bottled and canned beer grew to 91 per cent and the share of draught beer shrank to 9 per cent of the market. The decrease in the sale of draught beer can be explained by the vigorous penetration of ciders and other trend drinks into the HoReCa (hotels, restaurants and cafeterias) sector. Saku Õlletehase AS increased its share in the bottled and canned beer market and managed to maintain the share in the draught beer market.

The sales of local products increased, first and foremost, on account of a decrease in the sale of imported products. The largest growth occurred in the sales of Saku canned beer.

The domestic beer market is still relatively price sensitive. In 2001 roughly 45 per cent of the market was divided between cheaper pilsner-type and very strong beers. The use of discounting campaigns increased and the strategy was extended to the sale of premium beers and multipacks.

According to the market research company EMOR, the best-known beer brand in Estonia is Saku Originaal, which is spontaneously recognised by 60 per cent of the people. Our swiftest growing brand in 2001 was Rock, whose sales increased by 24 per cent and which attained the position of the second-best known brand in the Estonian beer market. According to Brand Track, a survey conducted by EMOR, the consumer base of Saku Originaal (the number of people who have consumed it in the past six months) has remained stable amounting to 65 per cent of all Estonian beer consumers.

Since Estonia regained its independence, Saku Õlletehase AS has led the market in product development, providing Estonian consumers with contemporary and innovative domestic beer products.

In 2001 Saku Õlletehase AS was the first domestic brewery to launch a low-alcohol and low-calorie light beer. We named the brand Saku Originaal Light.

With a view to renewing our extra strong beer brand, we launched a new bock-type beer called Sorts, which gradually replaced the previously launched Sarvik.

In October 2001 Guinness UDV and Carlsberg Breweries AB authorised Saku Õlletehase AS to act as the exclusive distributor in Estonia of such world famous premium brands as Carlsberg, Guinness and Kilkeny. The agreement includes the right to market the brands together with Saku's own products. We were selected thanks to our skills, market leader experience, and a well-established distribution network. In the long range we intend to increase the share of Carlsberg, Guinness and Kilkeny to 40 per cent of the Estonian imported beer market.

Besides the above we expanded our activities in other sectors of the beverages market, supplementing our other drinks' range, with a line of domestic ciders called Kiss.

Cider

The Estonian cider market grew over the year by 30 per cent, amounting to 3 million litres at the year-end. Per-capita consumption increased from 1.7 litres to 2.2 litres.

Our new line Kiss acquired 19 per cent of the market within nine months and attained the second position.

Mineral water

The mineral water market grew by 8 per cent, amounting to approximately 26 million litres. Per-capita water consumption in Estonia reached 19 litres. The share of our premium water Vichy Classique was 13 per cent and it became third after Bon Aqua and Everest.

Soft drinks

The soft drinks market grew by 10 per cent, amounting to 46 million litres by the year-end. Per-capita consumption increased from 30 to 33 litres. We are the exclusive distributors in Estonia of the Pepsi, 7 UP and orange-flavoured Zingo trademarks. The

total share of these trademarks in the Estonian soft drinks market amounts to 4.5 per cent. During the year Zingo acquired 16 per cent of the orange-flavoured drinks segment and 7 per cent of the Pepsi drinks segment.

In 2001 the companies of the Baltic Beverages Holding AB (BBH) group intensified their co-operation in the Baltic countries. As a result, Saku Õlletehase AS exported other group companies canned beer products and cider and imported water and soft drinks in PET packages.

2.3. Performance and results

Our net sales for 2001 amounted to EEK 745,9 m, a 2 per cent (EEK 16,3 m) increase on the previous year (all figures in this paragraph and below are rounded). The sales of beverages increased on account of an increase in the sales of self-produced beer and other imported beverages (soft drink Zingo). The sales of bottles, crates and pallets decreased due to an increase in the sales of canned products, which accounted for 18 per cent of the overall sales of beverages. Approximately a half of the increase in the sales of canned products is related to export.

Expenses totalled EEK 690,5 m, a 4 per cent (EEK 25,9m) increase on 2000. The costs to revenue ratio decreased by 2.4 percentage points. The largest growth occurred, both in absolute amounts and percentages, in the costs of materials (27 per cent) and ancillary materials (44 per cent). The increase in the cost of materials resulted from an increase in the price of malt, which occurred due to the revocation of EU restitution. At present, malt prices have stabilised. The costs of ancillary materials increased because the share of products sold in single-use packages grew substantially. The growth in the sales of canned products was accompanied by a rise in the sales of multipacks of bottled beer. In 2001 the latter accounted for 10 per cent of our overall sales of bottled beer. Other expenses grew as a result of an increase in expenses on gifts, campaign prizes, sponsoring, and related taxes. We sponsor skiing and the Estonian Olympic Committee.

At the end of the year, total assets stood at approximately EEK 401,1 m, an increase of 4 per cent on the previous year. Cash flows were positive, amounting to EEK 9,0 m and resulting in an 80 per cent increase in the cash balance.

Our operating profit amounted to EEK 56,6 m, a decrease of EEK 17,1 m (23 per cent). Net profit for 2001 amounted to EEK 55,6 m. Earnings per share amounted to EEK 6.95, a decrease of 25 per cent on 2000.

Our direct tax burden totalled EEK 206,6 m, including alcohol excise of EEK 137 m. Over the year, alcohol excise payments increased by 5 per cent.

The ratios that measure performance on the basis of assets, equity, and net sales as well as solvency have, in general, decreased.

At the end of 2001 we employed 269 people under open-ended employment contracts. The average number of employees was 292. The remuneration of the members of the management board and the supervisory board totalled EEK 4,6 m and EEK 100,000 respectively. The total liability that would arise if all members of the management board were dismissed amounts to EEK 2,5 m (the figure includes both severance pay and related taxes).

2.4. Investment

In 2001 Saku Õlletehase AS continued active investment. Investments in new tangible and intangible assets totalled EEK 53 m and financial investments in AS Rocca al Mare Suurhall amounted to EEK 6.8 m. All investments were financed with our own funds.

Production-related investments amounted to EEK 31.7 m and were aimed at increasing capacities, improving operating efficiency and maintaining production quality. Major purchases included fermenting tanks and a state-of-the-art filling line, pasteurizer and labeller for kegs.

Investments in sales support equipment and other equipment and fixtures totalled EEK 15.9 m. Warehousing and storage facilities were allocated EEK 3 m and investments in computer systems, software and other assets totalled EEK 2.4 m.

3. ANNUAL FINANCIAL STATEMENTS (consolidated and audited)

STATEMENT OF MANAGEMENT RESPONSIBILITY

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the annual financial statements of Saku Brewery Ltd for 2001 as set out on pages 8 to 24 of this report, and confirms that to the best of its knowledge, information and belief:

- the accounting policies applied at the preparation of the annual accounts comply with generally accepted accounting principles;
- the annual financial statements give a true and fair view of the financial position of Saku Brewery Ltd and the results of its operations;
- all significant events that occurred between the balance sheet date and the date on which the financial statements were authorised for issue (25 January 2002) have been properly recognised and disclosed;
- Saku Brewery Ltd is a going concern.

Saku, 25 January 2002

Cardo Remmel
Chairman of the Management Board

Management Board Members:

Jüri Jänese

Kersti Kurre

Karin Sepp

Riho Söber

Ants Tulp

Balance sheet

	(EEK)			
	Group 31.12.2001	Group* 31.12.2000 adjusted	Parent 31.12.2001	Parent* 31.12.2000 adjusted
ASSETS				
Current assets				
Cash and bank (Note 2)	20,199,229	11,187,250	20,179,515	11,142,250
Shares and other securities (Note 3)	3,906,962	3,932,237	3,906,962	3,932,237
Trade receivables (Note 4)	30,185,413	31,591,532	30,081,062	31,479,945
Other receivables and prepayments (Note 5)	2,099,883	3,366,932	2,109,883	3,516,932
Inventories (Note 6)	80,767,148	88,029,052	80,767,148	88,029,052
Total current assets	137,158,635	138,107,003	137,044,570	138,100,416
Non-current assets				
Long-term financial investments (Note 7)	17,300,000	10,550,000	17,400,000	10,650,000
Long-term receivables (Note 8)	186,429	508,992	186,429	404,589
Intangible assets (Note 9)	747,237	86,676	747,237	86,676
Tangible assets (Notes 9,10)	245,657,482	234,910,500	245,657,482	234,910,500
Total non-current assets	263,891,148	246,056,168	263,991,148	246,051,765
TOTAL ASSETS	401,049,783	384,163,171	401,035,718	384,152,181
LIABILITIES AND EQUITY				
Current liabilities				
Debt obligations (Note 10)	1,713,504	1,456,933	1,713,504	1,456,933
Trade payables	21,055,433	15,376,328	21,055,433	15,376,328
Payables to parent and subsidiary companies		4,443,155		4,443,155
Tax liabilities (Note 11)	12,122,805	6,439,943	12,122,805	6,439,943
Payables to employees	3,328,903	3,732,408	3,328,903	3,732,408
Other accrued expenses	379,316	1,187,218	365,251	1,176,228
Total current liabilities	38,599,961	32,635,985	38,585,896	32,624,995
Non-current liabilities				
Non-convertible debt (Note 10)	3,411,659	3,522,661	3,411,659	3,522,661
Equity				
Share capital	80,000,000	80,000,000	80,000,000	80,000,000
Capital reserve	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
Accumulated profits	171,358,719	142,123,983	171,358,719	142,123,983
Net profit for the financial year	55,609,479	73,810,577	55,609,479	73,810,577
Total equity	359,038,163	348,004,525	359,038,163	348,004,525
TOTAL LIABILITIES AND EQUITY	401,049,783	384,163,171	401,035,718	384,152,181

* The adjustment results from a change in the valuation of finished goods inventories.

Income statement

	Group	Group *	(EEK) Parent	Parent*
	2001	adjusted 2000	2001	adjusted 2000
Revenue				
Net sales (Note 12)	745,936,811	729,618,841	745,936,811	729,618,841
Change in work in progress and finished goods inventories	555,625	2,537,028	555,625	2,537,028
Other revenue (Note 14)	659,683	6,244,932	645,712	6,221,500
Total revenue	747,152,119	738,400,801	747,138,148	738,377,369
Expenses (Note 15)				
Materials, consumables and supplies	477,493,675	457,909,309	477,493,675	457,909,309
Other operating expenses	115,920,352	115,705,926	115,906,137	115,682,101
Personnel expenses	48,097,126	47,706,332	48,097,126	47,706,332
Depreciation	42,274,291	39,091,083	42,274,291	39,091,083
Other expenses	6,760,781	4,188,981	6,760,781	4,188,981
Total expenses	690,546,225	664,601,631	690,532,010	664,577,806
OPERATING PROFIT	56,605,894	73,799,170	56,606,138	73,799,563
Financial income (Note 16)	433,599	991,507	433,355	991,110
Financial expenses (Note 16)	1,430,014	725,300	1,430,014	725,296
PROFIT BEFORE TAXES	55,609,479	74,065,377	55,609,479	74,065,377
Income tax expense		254,800**		254,800**
NET PROFIT FOR THE FINANCIAL YEAR	55,609,479	73,810,577	55,609,479	73,810,577
Basic earnings per share (Note 17)	6.95	9.23	6.95	9.23
Diluted earnings per share (Note 17)	6.95	9.23	6.95	9.23

* The adjustment results from a change in the valuation of finished goods inventories.

** Due to additional information received in respect of 1998, other operating expenses for 2000 were reduced by EEK 1m and additional income tax of EEK 254,800 was paid for 1998. This reduced the net profit for 2000 correspondingly.

Cash flow statement

	(EEK)			
	Group	Group*	Parent	Parent*
	2001	2000 adjusted	2001	2000 adjusted
Profit before taxes	55,609,479	74,065,377	55,609,479	74,065,377
Income tax expense		-254,800		-254,800
Depreciation	42,274,291	39,091,083	42,274,291	39,091,083
Non-current asset sales and write-off	-186,915	92,454	-186,915	92,454
Total	97,696,855	112,994,114	97,696,855	112,994,114
Change in short-term financial investments	25,275	1,088,836	25,275	1,088,836
Change in inventories	7,261,904	-26,675,245	7,261,904	-26,675,245
Change in receivables	2,673,168	26,214,519	2,805,932	26,206,720
Change in current liabilities	5,707,405	585,091	5,704,330	596,600
Total	15,667,752	1,213,201	15,797,441	1,216,911
Net cash from operating activities	113,364,607	114,207,315	113,494,296	114,211,025
Investing activities				
Acquisition of non-current assets	-51,984,793	-74,982,822	-51,984,793	-74,982,822
Sales of non-current assets at sales price	492,749	490,422	492,749	490,422
Acquisition of land		-366,823		-366,823
Acquisition of shares (Note 7)	-1,350,000	-1,950,000	-1,350,000	-1,950,000
Collection of long-term receivables	322,563	151,513	218,160	144,277
Acquisition of bonds (Note 7)	-5,400,000	-8,600,000	-5,400,000	-8,600,000
Collection of loans given		53,280		53,280
Cash used in investing activities	-57,919,481	-85,204,430	-58,023,884	-85,211,666
Financing activities				
Distribution of dividends	-40,000,000	-40,000,000	-40,000,000	-40,000,000
Income tax paid on dividends	-4,575,841	-4,624,848	-4,575,841	-4,624,848
Settlement of finance lease liabilities (Note 10) incl. finance charges (Note 10)	-2,548,290 690,984	-1,936,695 570,304	-2,548,290 690,984	-1,936,695 570,304
Net cash used in financing activities	-46,433,147	-45,991,239	-46,433,147	-45,991,239
Net increase/decrease in cash	9,011,979	-16,988,354	9,037,265	-16,991,880
Cash at beginning of period	11,187,250	28,175,604	11,142,250	28,134,130
Cash at end of period	20,199,229	11,187,250	20,179,515	11,142,250
Net increase/decrease in cash	9,011,979	-16,988,354	9,037,265	-16,991,880

* The adjustment results from a change in the valuation of finished goods inventories.

Statement of changes in equity

	(EEK)			
	Group 2001	Group * 2000 adjusted	Parent 2001	Parent * 2000 adjusted
Share capital	80,000,000	80,000,000	80,000,000	80,000,000
Capital reserve	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
Accumulated profits				
at beginning of period	215,934,560	186,748,831	215,934,560	186,748,831
dividend distribution	-40,000,000	-40,000,000	-40,000,000	-40,000,000
dividend tax	-4,575,841	-4,624,848	-4,575,841	-4,624,848
at end of period	171,358,719	142,123,983	171,358,719	142,123,983
Profit for the period	55,609,479	73,810,577	55,609,479	73,810,577
Total equity	359,038,163	348,004,525	359,038,163	348,004,525

* The adjustment results from a change in the valuation of finished goods inventories.

The share capital of Saku Brewery Ltd amounts to EEK 80m and is made up of 8m registered shares with a par value of EEK 10 each. The parent company's statutory minimum and maximum share capital amount to EEK 80m and EEK 320m respectively.

Notes to the annual financial statements

Note 1. Accounting policies

The annual financial statements for 2001 have been prepared in accordance with the generally accepted accounting principles of the Republic of Estonia. The main requirements of generally accepted accounting principles are outlined in the Estonian Accounting Act and the guidelines and regulations issued by the Estonian Accounting Standards Board. In preparing the statements also the requirements of International Accounting Standards (IAS) have been considered.

Consolidation principles

At consolidation, the financial statements of Saku Keldri OÜ, a wholly owned subsidiary, are combined with those of the parent on a line-by-line basis. Reciprocal receivables and payables as well as income and expenses are eliminated. In the consolidated balance sheet, the investment in the subsidiary and the parent's share in the subsidiary's equity are

eliminated. In the parent's balance sheet the investment in the subsidiary is accounted for using the equity method.

Cash

In the cash flow statement, "cash" denotes cash on hand, cash in the bank accounts and short-term deposits.

Foreign currency

Purchases of foreign currency are accounted for at the exchange rates quoted by a commercial bank at the date of the purchase. At the balance sheet date, the amounts are restated using the Bank of Estonia closing exchange rate. The amounts received in foreign currency, which are immediately converted into Estonian kroons, are reported at the exchange rate quoted by a commercial bank at the date of the receipt. Foreign currency receivables and payables are recognised at the Bank of Estonia exchange rate of the date of the transaction. The amounts received in foreign currency, which are not immediately converted into Estonian kroons, are recorded using the Bank of Estonia exchange rate of the date of the receipt. Exchange gains and losses are reported as revenues and expenses respectively.

Short-term financial investments

Short-term financial investments are carried at the lower of cost and net realisable value. Increases and decreases in the values of investments are reported as financial income and financial expense respectively.

Long-term financial investments

Long-term financial investments comprise shares in the subsidiary, portfolio investments, and loans. Long-term financial investments are valued conservatively based on the net realisable value.

Sales

Sales revenue is recognised in the net amount and does not include taxes. It is recorded on an accrual basis as of the moment when an invoice is issued to the buyer.

Receivables

Receivables are reported in recoverable amounts. Doubtful items and items that are more than 180 days overdue are expensed. Collection of previously expensed irrecoverable receivables is recognised as an adjustment of doubtful receivables.

Long-term receivables

Receivables arising from the sale of assets under an instalment plan and whose term exceeds one year are reported as non-current receivables.

Inventories

Inventories are counted and reported at the lower of cost and net realisable value. Work in progress and finished goods are carried at conversion cost including direct and indirect costs of production. The costs of materials, work in progress and finished goods are assigned using the FIFO formula.

Tangible non-current assets

Purchases are recognised as tangible non-current assets if their estimated useful life extends beyond one year and acquisition cost exceeds EEK 10,000. Tangible non-current assets are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method. The following depreciation rates are used:

Computers, software	33.3 %
Plant and equipment	12.5 – 20 %
Constructions	5 – 10 %
Buildings	3 - 5 %

Intangible assets

Intangible assets comprise software, which is significant for the company's operation, is intended for long-term use and has been adjusted to the company's needs.

Operating and finance lease

Lease agreements that can be terminated without making any additional payments, and in the case of which title to the asset is not transferred to the leaseholder either during or by

the end of the lease term are accounted for as operating leases. Operating lease payments are expensed on an accrual basis.

Leases that cannot be classified as operating leases are recognised as finance leases. A finance lease is recognised as an asset and a liability based on the lease term. Assets leased under finance lease are reported at acquisition cost, less the residual value and accumulated depreciation. Since the leased assets are to be returned, they have been assigned depreciable lives that equal their lease terms.

Change in accounting policies

At the preparation of the annual financial statements for 2001, storage costs were excluded from the cost of finished goods as required by IAS 2 § 14. As a result, the group's and the parent's operating profit for 2001 and the closing value of inventories decreased by EEK 137,456. Due to the change in accounting policies, the group's and the parent's operating profit for 2000 and the opening value of inventories were adjusted correspondingly (both items were reduced by EEK 144,458).

Note 2. Cash and bank

	(EEK)			
	Group 31.12.2001	Group 31.12.2000	Parent 31.12.2001	Parent 31.12.2000
Cash and bank	15,199,229	11,187,250	15,179,515	11,142,250
Short-term deposits	5,000,000		5,000,000	
Total	20,199,229	11,187,250	20,179,515	11,142,250

Note 3. Shares and other securities

	(EEK)			
	Group 31.12.2001	Group 31.12.2000	Parent 31.12.2001	Parent 31.12.2000
Shares in AS Saku Linnas (under liquidation)	3,906,962	3,932,237	3,906,962	3,932,237

The investment in the wholly owned subsidiary AS Saku Linnas, which is under liquidation, is reported at the value of the liquidation distribution.

Note 4. Trade receivables

	(EEK)			
	Group	Group	Parent	Parent
	31.12.2001	31.12.2000	31.12.2001	31.12.2000
Due from customers	30,292,388	32,167,142	30,188,037	32,055,555
Write-off of irrecoverable items	-130,166	-600,002	-130,166	-600,002
Collection of formerly expensed items	23,191	24,392	23,191	24,392
Total	30,185,413	31,591,532	30,081,062	31,479,945

In 2001, the ratio of receivables written off to net sales amounted to 0.02 per cent.

Note 5. Other receivables and prepayments

	(EEK)			
	Group	Group	Parent	Parent
	31.12.2001	31.12.2000	31.12.2001	31.12.2000
Due from subsidiary and parent companies		1,771,841	10,000	1,921,841
Other short-term receivables		1,201,431		1,201,431
Accrued income (interest receivable)	32,194		32,194	
Prepaid taxes		87,380		87,380
incl. income tax on gifts, sponsoring land tax		86,784		86,784
		596		596
Other prepaid expenses	2,067,689	288,560	2,067,689	288,560
Loan receivable		17,720		17,720
Total	2,099,883	3,366,932	2,109,883	3,516,932

Note 6. Inventories

Only the parent company has inventories.

	(EEK)			
	Group	Group*	Parent	Parent*
	31.12.2001	adjusted 31.12.2000	31.12.2001	adjusted 31.12.2000
Materials	27,159,435	30,324,605	27,159,435	30,324,605
Work in progress	8,064,215	7,520,635	8,064,215	7,520,635
Finished goods	5,917,246	5,905,201	5,917,246	5,905,201
Merchandise purchased for resale	34,682,787	39,102,966	34,682,787	39,102,966
Kegs in deposit	4,002,750	3,316,995	4,002,750	3,316,995
Prepayments to suppliers	940,715	1,858,650	940,715	1,858,650
Total	80,767,148	88,029,052	80,767,148	88,029,052

* The adjustment results from a change in the valuation of finished goods inventories.

In 2001 the write-down of kegs (as well as bottles and other containers) and the write-off of obsolete materials amounted to EEK 1,392,345 and EEK 775,388 respectively.

By the end of 2001 the parent's inventories were 8 per cent smaller than at the end of 2000.

Note 7. Long-term financial investments

Only the parent company has long-term financial investments.

	(EEK)			
	Group 31.12.2001	Group 31.12.2000	Parent 31.12.2001	Parent 31.12.2000
Saku Keldri OÜ			100,000	100,000
Shares in AS Rocca al Mare Suurhall	3,300,000	1,950,000	3,300,000	1,950,000
Bonds issued by AS Rocca al Mare Suurhall	14,000,000	8,600,000	14,000,000	8,600,000
Total	17,300,000	10,550,000	17,400,000	10,650,000

The share in the subsidiary, and portfolio investments in the parent's balance sheet.

	(EEK)				
	Number of shares or bonds	Balance at acquisition cost	Addition	Balance at acquisition cost	Interest (%)
	31.12.2001	1.1.2001	2001	31.12.2001	
Saku Keldri OÜ	1 share	100,000		100,000	100
AS Rocca al Mare Suurhall	22 registered B shares	1,950,000	1,350,000	3,300,000	0.04
AS Rocca al Mare Suurhall	140 registered bonds of one type	8,600,000	5,400,000	14,000,000	100
Total		10,650,000	6,750,000	17,400,000	

On 31 December 2001, the equity of the subsidiary Saku Keldri OÜ was equal to its share capital, amounting to EEK 100,000.

In 2001 Saku Brewery Ltd acquired nine B shares in AS Rocca al Mare Suurhall and 54 bonds issued by AS Rocca al Mare Suurhall. The par value of one share in AS Rocca al Mare Suurhall is EEK 100 and the par value of one bond is EEK 100,000. The shares were acquired with a premium of EEK 149,900. The bonds were acquired and are carried at par

value. The bonds are purpose-oriented and non-interest bearing. They are to be redeemed within ten years, beginning from one year from the implementation of the hall. The bonds will be redeemed at par value, at the rate of one tenth of the aggregate per year.

Possession of the shares grants the company the right to use and dispose of one of the boxes of the hall under the agreed terms and conditions. The shares do not entitle the holder to a dividend.

The decrease in the book value of the non-interest bearing bonds, which will occur over time, has been compensated for by a ten-year co-operation agreement on the use of the recreational complex. According to the agreement, the complex is to bear the name of Saku Suurhall and has extensive sales and advertising rights.

To reduce the credit risk accompanying the acquisition of the bonds, all the agreements related to the investment include a clause, which states that if the ownership of the hall changes, all the agreements will transfer to the new owner under the same terms and conditions.

Note 8. Long-term receivables

Only the parent has long-term receivables. At the year-end, the balance totalled EEK 186,429 and was made up of two items due for sale of assets under an instalment plan.

Note 9. Tangible and intangible assets

Only the parent company has non-current assets. The structure and movements in non-current assets are outlined in the following tables. For corresponding data on leased assets see Note 10.

	31.12.2001	31.12.2000
Net book value of tangible assets	225,762,057	214,109,108
Leased assets	4,997,087	4,892,297
Prepayments for non-current assets	6,264,593	1,524 088
Investments in progress	8,633,745	14,385,007
Total tangible non-current assets	245,657,482	234,910,500

Movements in non-current assets in 2001

(EEK)

Non-current assets	31.12.2000		2001			31.12.2001		
	Acquisition cost	Depreciation	Recognised at acquisition cost	Acquisition cost of items sold and written down	Depreciation for the period	Acquisition cost	Depreciation	Net book value
Tangible assets								
Buildings and constructions	100,781,235	20,036,739	17,106,357	30,735	3,857,745	117,856,857	23,864,048	93,992,809
Plant and equipment	199,695,800	108,779,485	20,225,940	8,905,077	21,753,318	211,016,663	121,629,705	89,386,958
Motor vehicles	9,774,408	4,012,901	1,026,096	1,623,772	2,187,625	9,176,732	4,830,205	4,346,527
IT equipment	2,670,148	1,340,465	710,240	208,915	892,395	3,171,473	2,034,675	1,136,798
Other equipment	52,420,368	20,059,865	13,138,876	4,380,826	11,557,643	61,178,418	27,276,057	33,902,361
Land	2,996,604					2,996,604		2,996,604
Total	368,338,563	154,229,455	52,207,509	15,149,325	40,248,726	405,396,747	179,634,690	225,762,057
Intangible assets	89,150	2,474	788,041		127,480	877,191	129,954	747,237

Intangible assets include software used for activity-based accounting, business analysis and shipment routing.

Note 10. Debt obligations

Only the parent company has finance and operating lease agreements. In 2001 there were eight operating lease agreements. The payments totalled EEK 1,059,571 and were recognised as expenses on motor vehicles. In addition, there were 66 finance lease agreements on motor vehicles. The company's finance lease liabilities and payments made during the reporting period are outlined in the following table:

	Motor vehicles 31.12.2001	(EEK) Motor vehicles 31.12.2000
Acquisition cost	7,829,097	7,021,378
Accumulated depreciation	2,832,010	2,129,081
Finance lease liability	5,125,163	4,979,594
incl. payable within a year	1,713,504	1,456 933
payable within more than a year	3,411,659	3,522,661

In 2001 vehicles of EEK 2,230,059 were acquired under the terms of finance lease. The period's depreciation on items acquired under finance lease totalled EEK 1,898,085. Due to termination of agreements, acquisition cost, accumulated depreciation and finance lease liability have decreased by EEK 1,422,340, EEK 1,195,156 and EEK 227,184 respectively. Finance lease and interest payments amounted to EEK 2,548,290 and EEK 690,984 respectively. The rates of finance lease interest range from 7.0 to 13.1 per cent.

Note 11. Tax liabilities

Only the parent has tax liabilities.

	(EEK)			
	Group 31.12.2001	Group 31.12.2000	Parent 31.12.2001	Parent 31.12.2000
Alcohol excise tax	9,298,273	2,954,798	9,298,273	2,954,798
Value-added tax	2,634,280	3,382,650	2,634,280	3,382,650
Social tax	119,982	78,681	119,982	78,681
Corporate income tax		23,814		23,814
Income tax on fringe benefits, non-business and entertainment expenses	70,270		70,270	
	12,122,805	6,439,943	12,122,805	6,439,943

Note 12. Net sales

Products and services	(EEK)			
	Group 2001	Group 2000	Parent 2001	Parent 2000
Saku beers	359,985,765	338,141,975	359,985,765	338,141,975
Imported beers	4,805,640	9,086,989	4,805,640	9,086,989
Saku mineral water	1,997,966	2,268,488	1,997,966	2,268,488
Imported mineral water	20,811,680	24,387,413	20,811,680	24,387,413
Other Saku beverages	9,937,273	4,477,219	9,937,273	4,477,219
Other imported beverages	16,319,464	15,989,653	16,319,464	15,989,653
Bottles, crates, pallets	323,258,328	324,817,916	323,258,328	324,817,916
By-products	1,071,883	1,046,572	1,071,883	1,046,572
Services	2,151,441	6,128,798	2,151,441	6,128,798
Other goods	5,597,371	3,273,818	5,597,371	3,273,818
Total	745,936,811	729,618,841	745,936,811	729,618,841

Markets	(EEK)			
	Group 2001	Group 2000	Parent 2001	Parent 2000
Estonia	712,346,336	693,704,385	712,346,336	693,704,385
Export (Lithuania, Latvia, Finland, the USA, Japan)	33,590,475	35,914,456	33,590,475	35,914,456
Total	745,936,811	729,618,841	745,936,811	729,618,841

Note 13. Transactions with related parties

	(EEK)			
	Saku Brewery Ltd purchases		Saku Brewery Ltd sales	
	2001	2000	2001	2000
A/O Aldaris	15,458,229	12,027,268	2,062,001	3,329,772
Baltic Beverages Eesti AS			101,798	111,060
Baltic Beverages Holding AB	4,073,007	3,666,100		6,692
AB Svyturys	92,509			
UAB Utenos Alus	59,280		1,358,537	
UAB Jungtinis Alaus Centras		63,950	17,229,376	9,050,713
AS Saku Linnas		3,037,500		
Total Saku Brewery Ltd	19,683,025	18,794,818	20,751,712	12,498,237

Related parties include companies controlled by Baltic Beverages Holding AB. Transactions with related parties were effected at the group's transfer prices. The sales of Saku Brewery Ltd comprised sales of production and bottles, and rental of premises. Purchases comprised purchase of goods, bottles, materials, and management and consulting services.

Note 14. Other revenue

	(EEK)			
	Group 2001	Group 2000	Parent 2001	Parent 2000
Gains on the sale of non-current assets	228,978	143,476	228,978	143,476
Unrealised liabilities	1,058	104,922	1,058	104,922
Interest on arrears received	25,865	74,416	11,894	50,984
Insurance indemnification	135,438	154,564	135,438	154,564
Exchange gain	268,344	1,112,297	268,344	1,112,297
Indemnification for investment		4,655,257		4,655,257
Total	659,683	6,244,932	645,712	6,221,500

Note 15. Expenses

	(EEK)			
	Group 2001	Group 2000	Parent 2001	Parent 2000
Materials	51,551,782	40,721,505	51,551,782	40,721,505
Ancillary materials	52,133,116	36,171,143	52,133,116	36,171,143
Bottles, crates, pallets	323,986,027	325,242,911	323,986,027	325,242,911
Imported beverages	21,795,034	28,314,497	21,795,034	28,314,497
Other	28,027,716	27,459,253	28,027,716	27,459,253
Total materials, consumables and supplies	477,493,675	457,909,309	477,493,675	457,909,309
Advertising	41,197,103	39,814,242	41,197,103	39,814,242
Transportation and vehicle expenses	34,748,231	31,439,269	34,748,231	31,439,269
Sewerage	6,991,855	6,908,267	6,991,855	6,908,267
Renovation of buildings, rental of equipment	6,794,961	7,738,291	6,794,961	7,738,291
Other services	10,921,902	15,143,813	10,907,687	15,143,813
Other expenses	15,266,300	14,662,044	15,266,300	14,638,219
Total other operating expenses	115,920,352	115,705,926	115,906,137	115,682,101
Wages and salaries	35,924,563	35,656,026	35,924,563	35,656,026
Social tax, unemployment insurance	12,172,563	12,050,306	12,172,563	12,050,306
Total personnel expenses	48,097,126	47,706,332	48,097,126	47,706,332

Losses on sales and write-off of non-current assets	42,063	235,930	42,063	235,930
Sponsoring, expenses not related to primary production	6,235,861	3,276,529	6,235,861	3,276,529
Interest on arrears paid	54,828	40,984	54,828	40,984
Exchange loss	428,029	635,538	428,029	635,538
Total other expenses	6,760,781	4,188,981	6,760,781	4,188,981

Note 16. Financial income and expenses

		(EEK)		
	Group 2001	Group 2000	Parent 2001	Parent 2000
Interest income	423,530	876,541	423,286	876,144
Exchange gain	10,069	114,966	10,069	114,966
Total financial income	433,599	991,507	433,355	991,110
Interest expense	1,349,401	625,793	1,349,401	625,793
Exchange loss	55,338	10,671	55,338	10,667
Expenses relating to shares in the subsidiary	25,275	88,836	25,275	88,836
Total financial expenses	1,430,014	725,300	1,430,014	725,296

Note 17. Earnings per share

	(EEK)			
	Group 2001	Group 2000	Parent 2001	Parent 2000
Net profit	55,609,479	73,810,577	55,609,479	73,810,577
Number of shares	8,000,000	8,000,000	8,000,000	8,000,000
Basic earnings per share	6.95	9.23	6.95	9.23
Diluted earnings per share	6.95	9.23	6.95	9.23

Note 18. Contingent liabilities

The management board has proposed that EEK 40,000,000 should be distributed to the shareholders as a dividend. The proposal has to be approved by the general meeting of the shareholders. At the shareholder structure of 31 December 2001, the dividend distribution would be accompanied by an income tax liability of EEK 4,640,528 and undistributed profits would decrease by a total of EEK 44,640,528. If the structure of

shareholders entitled to dividends proves different from the one of 31 December 2001, the arising income tax liability may prove different as well.

In line with legal requirements, the alcohol excise liability to the Customs Board is secured with a bank guarantee. The guarantee amounts to EEK 2,100,000 and is valid from 1 January 2001 to 1 January 2003.

Note 19. Interests of management and supervisory board members

At the balance sheet date, members of the management and supervisory boards of Saku Brewery Ltd had the following interests in the company:

Supervisory board

	Number of shares	Interest
Andres Erm	2,436	0.0304 %
Vesa Eero Isohanni	-	-
Jaak Leimann	46	0.0006 %
Lars Vegard Vonen	-	-
Total:	2,482	0.0310 %

Management board

	Number of shares	Interest
Cardo Remmel	33,696	0.4212 %
Jüri Jänese	7,700	0.0962 %
Kersti Kurre	500	0.0062 %
Karin Sepp	2,000	0.0250 %
Riho Sõber	-	-
Ants Tulp	-	-
Total:	43,896	0.5486 %
Grand total:	46,378	0.5797 %

4. PROFIT ALLOCATION PROPOSAL

The management board of Saku Brewery Ltd proposes that the company:

- declare a net dividend (the share of profit payable to shareholders) of EEK 40,000,000, i.e. EEK 5 per share. Thereat, according to the rules of Tallinn Stock Exchange, the shareholders who are entitled to a dividend shall be identified based on the list of shareholders at the Estonian Central Depository for Securities on 15th stock exchange day from the day of the general meeting at eight hours a.m.
- distribute the dividend from the accumulated profits of 1994-1999;
- reduce the net profit for 2000 by the dividend tax of EEK 4,640,528;
- increase accumulated profits by the net profit for 2001 of EEK 55,609,479.

5. AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAKU BREWERY LTD

We have audited the accompanying financial statements of Saku Brewery Ltd, comprising the balance sheet as of 31 December 2001, the related statement of income for the year then ended, and the notes to the financial statements as well as the corresponding consolidated financial statements and the notes to the consolidated financial statements. 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 Brewery Ltd as of 31 December 2001, 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 have been prepared in accordance with the consolidation principles outlined in International Accounting Standards and give a true and fair view of the financial position of the group as of 31 December 2001, and of the results of its operations for the year then ended.

Tallinn, 28 January 2002

| KPMG Estonia

| Andres Root
Authorised Public Accountant

Andris Jegers
Authorised Public Accountant