

**SAKU BREWERY LTD  
INTERIM FINANCIAL STATEMENTS  
FIRST SIX MONTHS OF 2003**

**The core activities of Saku Brewery Ltd:  
production, wholesale and retail distribution,  
and import and export of low-alcohol beverages,  
mineral water and soft drinks**

**Beginning of financial year: 1 January  
End of financial year: 31 December**

**Auditors: Andres Root, Andris Jegers  
KPMG Estonia**

**Status of the statements: unaudited**

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**The activities of Saku Brewery Ltd are managed by a four-member management board. The CEO is Cardo Rimmel.**

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## **1. Financial statements**

### **BALANCE SHEET**

(In thousands)

	EEK			EUR		
	30.6.2003	30.6.2002	31.12.2002	30.6.2003	30.6.2002	31.12.2002
<b>ASSETS</b>						
Cash and bank	19,773	2,561	3,296	1,264	164	211
Trade receivables (Note 2)	55,956	50,777	29,051	3,576	3,245	1,857
Other receivables and prepayments (Note 3)	7,137	8,177	2,645	456	523	169
Inventories (Note 4)	101,170	85,712	90,917	6,466	5,478	5,811
<b>TOTAL CURRENT ASSETS</b>	<b>184,036</b>	<b>147,227</b>	<b>125,909</b>	<b>11,762</b>	<b>9,410</b>	<b>8,048</b>
<b>Non-current assets</b>						
Long-term financial investments (Note 5)	15,999	16,467	16,000	1,023	1,052	1,023
Long-term receivables (Note 6)	63	142	98	4	9	6
Tangible assets (Notes 7, 8)	243,682	271,505	260,597	15,574	17,352	16,655
Intangible assets (Note 7)	979	601	1,147	62	38	73
<b>TOTAL NON-CURRENT ASSETS</b>	<b>260,723</b>	<b>288,715</b>	<b>277,842</b>	<b>16,663</b>	<b>18,451</b>	<b>17,757</b>
<b>TOTAL ASSETS</b>	<b>444,759</b>	<b>435,942</b>	<b>403,751</b>	<b>28,425</b>	<b>27,861</b>	<b>25,805</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current liabilities</b>						
Debt obligations (Note 8)	1,232	31,962	7,154	79	2,043	457
Trade payables	31,147	31,237	22,150	1,991	1,996	1,417
Payables to the parent and group companies (Note 11)	47,797	2,059	282	3,055	131	18
Tax liabilities (Note 9)	23,350	24,427	12,376	1,492	1,561	791
Payables to employees	3,526	3,410	4,607	226	218	294
Other accrued expenses	6,894	1,493	3,463	441	95	222
Provisions	2,052		676	131		43
<b>TOTAL CURRENT LIABILITIES</b>	<b>115,998</b>	<b>94,588</b>	<b>50,708</b>	<b>7,415</b>	<b>6,044</b>	<b>3,242</b>
<b>Non-current liabilities</b>						
Non-convertible debt (Note 8)	981	2,726	1,711	62	174	109
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>981</b>	<b>2,726</b>	<b>1,711</b>	<b>62</b>	<b>174</b>	<b>109</b>
<b>Equity</b>						
Share capital	80,000	80,000	80,000	5,113	5,113	5,113
Capital reserve	8,000	8,000	8,000	511	511	511
Other reserves	44,070	44,070	44,070	2,817	2,817	2,817
Accumulated profits	179,262	180,441	180,441	11,456	11,532	11,532
Profit/loss for the period	16,448	26,117	38,821	1,051	1,670	2,481
<b>TOTAL EQUITY</b>	<b>327,780</b>	<b>338,628</b>	<b>351,332</b>	<b>20,948</b>	<b>21,643</b>	<b>22,454</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>444,759</b>	<b>435,942</b>	<b>403,751</b>	<b>28,425</b>	<b>27,861</b>	<b>25,805</b>

## INCOME STATEMENT

(In thousands)

	EEK			EUR		
	January- June 2003	January- June 2002	2002	January- June 2003	January- June 2002	2002
Revenue						
Net sales (Note 10)	353,951	372,380	768,445	22,622	23,799	49,113
Change in work in progress and finished goods inventories	6,271	3,171	-964	401	203	-62
Other revenue (Note 12)	321	459	2,416	20	30	154
<b>Total revenue</b>	<b>360,543</b>	<b>376,010</b>	<b>769,897</b>	<b>23,043</b>	<b>24,032</b>	<b>49,205</b>
Expenses (Note 13)						
Materials, consumables and supplies	226,465	236,170	493,747	14,474	15,094	31,556
Other operating expenses	59,740	60,728	132,724	3,818	3,882	8,483
Personnel expenses	25,302	26,309	53,872	1,617	1,681	3,443
Depreciation	23,050	21,314	43,410	1,473	1,362	2,774
Other expenses	1,027	4,612	5,932	66	295	379
<b>Total expenses</b>	<b>335,584</b>	<b>349,133</b>	<b>729,685</b>	<b>21,448</b>	<b>22,314</b>	<b>46,635</b>
<b>OPERATING PROFIT</b>	<b>24,959</b>	<b>26,877</b>	<b>40,212</b>	<b>1,595</b>	<b>1,718</b>	<b>2,570</b>
Financial income (Note 14)	51	105	125	3	7	8
Financial expenses (Note 14)	880	865	1,516	56	55	97
<b>PROFIT FOR THE PERIOD BEFORE TAXES</b>	<b>24,130</b>	<b>26,117</b>	<b>38,821</b>	<b>1,542</b>	<b>1,670</b>	<b>2,481</b>
Income tax expense	7,682			491		
<b>NET PROFIT FOR THE PERIOD</b>	<b>16,448</b>	<b>26,117</b>	<b>38,821</b>	<b>1,051</b>	<b>1,670</b>	<b>2,481</b>
Basic earnings per share (Note 15)	2.06	3.26	4.85	0.13	0.21	0.31
Diluted earnings per share (Note 15)	2.06	3.26	4.85	0.13	0.21	0.31

**INCOME STATEMENT (QUARTERLY)**

(In thousands)

	EEK		EUR	
	Quarter 2 2003	Quarter 2 2002	Quarter 2 2003	Quarter 2 2002
Revenue				
Net sales	220,698	236,232	14,105	15,098
Change in work in progress and finished goods inventories	28	2,029	2	130
Other revenue	130	119	8	8
Total revenue	220,856	238,380	14,115	15,236
Expenses				
Materials, consumables and supplies	136,376	147,132	8,716	9,404
Other operating expenses	35,857	36,714	2,292	2,347
Personnel expenses	12,813	14,178	819	906
Depreciation	11,432	10,800	730	690
Other expenses	679	3,409	44	218
Total expenses	197,157	212,233	12,601	13,565
OPERATING PROFIT	23,699	26,147	1,514	1,671
Financial income (Note 14)	45	7	3	1
Financial expenses (Note 14)	662	709	42	45
PROFIT FOR THE SECOND QUARTER BEFORE TAXES	23,082	25,445	1,475	1,627
Income tax expense				
NET PROFIT FOR THE SECOND QUARTER	23,082	25,445	1,475	1,627
Basic earnings per share	2.89	3.18	0.18	0.20
Diluted earnings per share	2.89	3.18	0.18	0.20

## CASH FLOW STATEMENT

(In thousands)

	EEK			EUR		
	January- June 2003	January- June 2002	2002	January- June 2003	January- June 2002	2002
Profit before taxes	24,130	26,117	38,821	1,542	1,670	2,481
Income tax expense	-7,682			-491		
Depreciation	23,050	21,314	43,410	1,473	1,362	2,774
Result of non-current asset sales and write-off	-55	-63	-1,560	-4	-4	-99
<b>Total</b>	<b>39,443</b>	<b>47,368</b>	<b>80,671</b>	<b>2,520</b>	<b>3,028</b>	<b>5,156</b>
Change in the value of short-term financial investments	1	3,907	3,907		250	250
Change in inventories	-10,253	-8,948	-14,153	-655	-572	-904
Change in receivables	-31,397	-27,787	-529	-2,006	-1,776	-34
Change in current liabilities	65,391	55,583	11,916	4,179	3,552	762
Redemption of bonds (Note 5)		933	1,400		59	89
<b>Total</b>	<b>23,742</b>	<b>23,688</b>	<b>2,541</b>	<b>1,518</b>	<b>1,513</b>	<b>163</b>
<b>Net cash from operating activities</b>	<b>63,185</b>	<b>71,056</b>	<b>83,212</b>	<b>4,038</b>	<b>4,541</b>	<b>5,319</b>
Investing activities						
Acquisition of non-current assets	-6,221	-43,641	-56,297	-398	-2,789	-3,598
Sales of non-current assets at sales price	88	175	2,024	6	11	129
Change in long-term receivables	35	44	88	2	3	6
<b>Net cash used in investing activities</b>	<b>-6,098</b>	<b>-43,422</b>	<b>-54,185</b>	<b>-390</b>	<b>-2,775</b>	<b>-3,463</b>
Financing activities						
Distribution of dividends	-40,000	-40,000	-40,000	-2,557	-2,557	-2,557
Income tax paid on dividends		-4,397	-4,397		-281	-281
Settlement of finance lease liabilities	-780	-1,150	-2,031	-49	-73	-130
Settlement of finance lease interest	170	294	517	11	19	33
<b>Net cash used in financing activities</b>	<b>-40,610</b>	<b>-45,253</b>	<b>-45,911</b>	<b>-2,595</b>	<b>-2,892</b>	<b>-2,935</b>
<b>Net increase/decrease in cash</b>	<b>16,477</b>	<b>-17,619</b>	<b>-16,884</b>	<b>1,053</b>	<b>-1,126</b>	<b>-1,079</b>
Cash at beginning of period	3,296	20,180	20,180	211	1,290	1,290
Cash at end of period	19,773	2,561	3,296	1,264	164	211
<b>Net increase/decrease in cash</b>	<b>16,477</b>	<b>-17,619</b>	<b>-16,884</b>	<b>1,053</b>	<b>-1,126</b>	<b>-1,079</b>

**STATEMENT OF CHANGES IN EQUITY**

(In thousands)

	EEK			EUR		
	January- June 2003	January- June 2002	2002	January- June 2003	January- June 2002	2002
Share capital	80,000	80,000	80,000	5,113	5,113	5,113
Capital reserve	8,000	8,000	8,000	511	511	511
Other reserves	44,070	44,070	44,070	2,817	2,817	2,817
Accumulated profits						
at beginning of period	219,262	224,838	224,838	14,013	14,370	14,370
Dividend distribution	-40,000	-40,000	-40,000	-2,557	-2,557	-2,557
Dividend tax		-4,397	-4,397		-281	-281
Accumulated profits						
at end of period	179,262	180,441	180,441	11,456	11,532	11,532
Net profit for the period	16,448	26,117	38,821	1,051	1,670	2,481
<b>Total equity</b>	<b>327,780</b>	<b>338,628</b>	<b>351,332</b>	<b>20,948</b>	<b>21,643</b>	<b>22,454</b>

**Notes to the financial statements****Note 1. Accounting policies**

The interim financial statements for the first six months of 2003 have been prepared in accordance with the same accounting policies that were applied in the preparation of the annual financial statements for 2002

**Note 2. Trade receivables**

(In thousands)	EEK		EUR	
	30.6.2003	30.6.2002	30.6.2003	30.6.2002
Due from customers	56,074	50,938	3,584	3,256
Allowance for doubtful receivables	-150	-636	-10	-41
Write-off of irrecoverable items	53	499	3	31
Collection of formerly expensed items	-21	-24	-1	-1
<b>Total</b>	<b>55,956</b>	<b>50,777</b>	<b>3,576</b>	<b>3,245</b>

**Note 3. Other receivables and prepayments**

(In thousands)	EEK		EUR	
	30.6.2003	30.6.2002	30.6.2003	30.6.2002
Receivable from group companies	2,515	1,803	161	116
Other short-term receivables	419	2,450	26	157
Prepaid VAT	1,640	2,680	105	171
Other prepaid expenses	2,563	1,244	164	79
<b>Total</b>	<b>7,137</b>	<b>8,177</b>	<b>456</b>	<b>523</b>

#### **Note 4. Inventories**

(In thousands)	EEK		EUR	
	30.6.2003	30.6.2002	30.6.2003	30.6.2002
Materials	33,873	26,788	2,165	1,712
Work in progress	9,347	8,373	597	535
Finished goods	9,941	8,779	635	561
Merchandise purchased for resale	46,902	38,767	2,998	2,478
Prepayments to suppliers	1,107	3,005	71	192
<b>Total</b>	<b>101,170</b>	<b>85,712</b>	<b>6,466</b>	<b>5,478</b>

#### **Note 5. Long-term financial investments**

(In thousands)	Number of shares	Acquisition cost	Redemption/	Acquisition cost	Interest
	and bonds	EEK (EUR)	change in value	EEK (EUR)	
	31.12.2002	31.12.2002	EEK (EUR)	30.6.2003	(%)
Saku Keldri OÜ	1 share	100	-1	99	100
		(6)	(0)	(6)	
AS Rocca al Mare	22 registered	3,300		3,300	0.01
Suurhall	B shares	(211)		(211)	
AS Rocca al Mare	126 registered	12,600		12,600	
Suurhall	bonds of one type	(806)		(806)	
<b>Total</b>		<b>16,000</b>	<b>-1</b>	<b>15,999</b>	
		<b>(1,023)</b>	<b>(0)</b>	<b>(1,023)</b>	

On 30 June 2003 the equity and share capital of the subsidiary Saku Keldri OÜ amounted to EEK 99,000 (EUR 6,000) and EEK 100,000 (EUR 6,000) respectively. As it has been decided that Saku Keldri OÜ should be liquidated in 2003 and its balance sheet volume is 0.02 percent of that of Saku Brewery Ltd, i.e. below the statutory consolidation requirement, the accounts of Saku Keldri OÜ have not been consolidated with those of Saku Brewery Ltd.

Saku Brewery Ltd has 22 B shares in and 126 bonds issued by AS Rocca al Mare Suurhall. The par value of a share is EEK 100 (EUR 6) and the par value of a bond is EEK 100,000 (EUR 6,000). The shares were acquired with a premium of EEK 149,900 (EUR 9,580) per share. The bonds were acquired and are carried at par value.

The shares grant the company the right to use and transfer one box in the complex, subject to agreed terms and conditions. The shares do not entitle the holder to a dividend.

The bonds were issued for a special purpose and are non-interest bearing. They are to be redeemed within ten years, beginning from one year of the implementation of the recreational complex. The bonds will be redeemed at par value, at the rate of one tenth of the aggregate per year. The decrease in the acquisition cost of the bonds, which will occur over time, is compensated for by a ten-year co-operation agreement. According to the agreement, the complex will bear the name Saku Suurhall and will grant Saku Brewery extensive sales and advertising rights. To hedge the credit risk of the bonds, all agreements relating to the investment include a clause, which states that if ownership of the complex changes, the agreement will transfer to the new owner under the same terms and conditions.



### **Note 6. Long-term receivables**

Long-term receivables of EEK 63,000 (EUR 4,000) comprise receivables from a company for sale of assets under an instalment plan.

### **Note 7. Tangible and intangible assets**

#### **TANGIBLE ASSETS**

(In thousands)

	EEK		EUR	
	30.6.2003	30.6.2002	30.6.2003	30.6.2002
Net book value of tangible assets	224,152	225,961	14,326	14,442
Leased assets	2,006	4,081	128	261
Prepayments for tangible assets	28	196	2	12
Investments in progress	17,496	41,267	1,118	2,637
<b>Total</b>	<b>243,682</b>	<b>271,505</b>	<b>15,574</b>	<b>17,352</b>

Tangible assets include bar furniture, which has been let under the terms of operating lease to support HoReCa sales. The acquisition cost of the furniture amounts to EEK 3,476,000 (EUR 222,000), and net book value as of 30 June 2003 stood at EEK 2,295,000 (EUR 147,000). Operating lease income for the first six months of 2003 amounted to EEK 26,000 (EUR 2,000).

On 30 June 2003, kegs of EEK 3,010,000 (EUR 192,000) were deposited with customers.

**Movements in non-current assets in the first six months of 2003 (EEK, thousands)**

Asset group	31.12.2002		2003			30.6.2003		
	Acquisition cost	Depreciation	Recognised at acquisition cost	Acquisition cost of items sold, written down and written off	Depreciation of the period	Acquisition cost	Depreciation	Net book value
Tangible assets								
Buildings and constructions	117,337	27,476			2,271	117,337	29,747	87,590
Plant and equipment	251,073	138,307	1,457		11,595	252,530	149,902	102,628
Motor vehicles	9,375	5,949		344	852	9,031	6,457	2,574
IT equipment	3,685	2,105	255	46	459	3,894	2,518	1,376
Other equipment	66,329	37,348	1,503	99	6,661	67,733	43,965	23,768
Kegs	6,058	2,725			303	6,058	3,028	3,030
Land	2,990		196			3,186		3,186
<b>Total</b>	<b>456,847</b>	<b>213,910</b>	<b>3,411</b>	<b>489</b>	<b>22,141</b>	<b>459,769</b>	<b>235,617</b>	<b>224,152</b>
Intangible assets	1,622	475	108		276	1,730	751	979

**Movements in non-current assets in the first six months of 2003 (EUR, thousands)**

Asset group	31.12.2002		2003			30.6.2003		
	Acquisition cost	Depreciation	Recognised at acquisition cost	Acquisition cost of items sold, written down and written off	Depreciation of the period	Acquisition cost	Depreciation	Net book value
Tangible assets								
Buildings and constructions	7,499	1,756			145	7,499	1,901	5,598
Plant and equipment	16,045	8,838	93		741	16,138	9,579	6,559
Motor vehicles	600	381		22	54	578	413	165
IT equipment	236	135	16	3	29	249	161	88
Other equipment	4,239	2,387	96	6	426	4,329	2,811	1,518
Kegs	387	174			20	387	194	193
Land	192		13			205		205
<b>Total</b>	<b>29,198</b>	<b>13,671</b>	<b>218</b>	<b>31</b>	<b>1,415</b>	<b>29,385</b>	<b>15,059</b>	<b>14,326</b>
Intangible assets	103	30	7		18	110	48	62

### **Note 8. Debt obligations**

During the reporting period, operating lease payments for motor vehicles and production equipment totalled EEK 996,000 (EUR 64,000) and EEK 402,000 (EUR 26,000) respectively. The company has 31 operating lease agreements on motor vehicles and 2 on production equipment.

In addition, motor vehicles are used under 31 finance lease agreements. Finance lease liabilities and payments break down as follows:

#### **FINANCE LEASE OF MOTOR VEHICLES**

(In thousands)	EEK		EUR	
	30.6.2003	30.6.2002	30.6.2003	30.6.2002
Acquisition cost	5,438	7,207	348	461
Accumulated depreciation	3,432	3,126	220	200
Finance lease liability	2,213	4,269	141	273
Incl. payable within a year	1,232	1,543	79	99
Incl. payable within more than a year	981	2,726	62	174

Due to termination of agreements in the first six months of 2003, the acquisition cost and accumulated depreciation of leased vehicles decreased by EEK 449,000 (EUR 29,000) and EEK 249,000 (EUR 16,000) respectively. Depreciation for the period amounted to EEK 632,000 (EUR 40,000). Finance lease payments totalled EEK 780,000 (EUR 49,000), including interest payments of EEK 170,000 (EUR 11,000). Contractual interest rates range from 7.0 - 10.5 percent.

### **Note 9. Tax liabilities**

(In thousands)	EEK		EUR	
	30.6.2003	30.6.2002	30.6.2003	30.6.2002
Alcohol excise duty	15,210	14,864	972	950
Value-added tax	6,038	7,071	385	452
Social tax	1,105	1,216	71	78
Personal income tax	698	830	45	53
Income tax on fringe benefits, non-business and entertainment expenses	228	390	15	24
Unemployment insurance premiums	41	56	2	4
Funded pension premiums	30		2	
<b>Total</b>	<b>23,350</b>	<b>24,427</b>	<b>1,492</b>	<b>1,561</b>

## **Note 10. Net sales**

### **SALES OF PRODUCTS AND SERVICES**

(In thousands)	EEK		EUR	
	January- June	January- June	January- June	January- June
	2003	2002	2003	2002
Saku beers	174,255	180,506	11,137	11,536
Imported beers	5,867	4,226	375	270
Saku mineral water	798	939	51	60
Imported mineral water	10,210	9,453	653	604
Other Saku alcoholic beverages	11,836	4,600	757	294
Imported soft drinks	8,154	10,655	521	681
Bottles, crates, pallets	140,649	157,954	8,989	10,095
By-products	549	520	35	33
Services	843	2,660	54	170
Other goods	790	867	50	56
<b>Total</b>	<b>353,951</b>	<b>372,380</b>	<b>22,622</b>	<b>23,799</b>

### **SALES BY MARKETS**

(In thousands)	EEK		EUR	
	January- June	January- June	January- June	January- June
	2003	2002	2003	2002
Estonia	333,365	351,719	21,306	22,479
Exports (Lithuania, Latvia, Finland, the USA, and Japan)	20,586	20,661	1,316	1,320
<b>Total</b>	<b>353,951</b>	<b>372,380</b>	<b>22,622</b>	<b>23,799</b>

## **Note 11. Transactions with related parties**

During the period, Saku Brewery Ltd purchased goods and services from:

(In thousands)	EEK		EUR	
	January- June	January- June	January- June	January- June
	2003	2002	2003	2002
A/O Aldaris	6,658	10,339	426	661
AB Svyturys-Utenos Alus	593	2,782	38	178
Baltic Beverages Holding AB	3,110	1,690	199	108
Baltic Beverages Eesti AS	23	3	1	
<b>Total</b>	<b>10,384</b>	<b>14,814</b>	<b>664</b>	<b>947</b>

During the period, Saku Brewery Ltd sold goods and services to:

(In thousands)	EEK		EUR	
	January- June 2003	January- June 2002	January- June 2003	January- June 2002
A/O Aldaris	594	648	38	41
AB Svyturys-Utenos Alus	8,369	11,827	535	756
OA0 PBK Slavutich	6,200		396	
Baltic Beverages Eesti AS	53	53	3	4
<b>Total</b>	<b>15,216</b>	<b>12,528</b>	<b>972</b>	<b>801</b>

Receivables from related parties:

(In thousands)	EEK	EUR
	30.6.2003	30.6.2003
A/O Aldaris	83	5
AB Svyturys-Utenos Alus	786	50
OA0 PBK Slavutich	1,637	105
Baltic Beverages Eesti AS	9	1
<b>Total</b>	<b>2,515</b>	<b>161</b>

Payables to related parties:

(In thousands)	EEK	EUR
	30.6.2003	30.6.2003
A/O Aldaris	496	32
AB Svyturys-Utenos Alus	47,020	3,005
Baltic Beverages Holding AB	281	18
<b>Total</b>	<b>47,797</b>	<b>3,055</b>

Related parties include companies of Baltic Beverages Holding AB (BBH) group. Transactions with related parties were conducted at the group's transfer prices. Saku Brewery's sales comprise sales of finished goods and bottles and letting of premises. Purchases include purchases of goods, bottles, and management and consulting services.

Payables to AB Svyturys-Utenos Alus include a short-term loan liability of EEK 46,211,000 (EUR 2,953,000) and a related interest liability of EEK 240,000 (EUR 15,000). The loan has been taken under the BBH intra-group financing agreement.

### **Note 12. Other revenue**

(In thousands)	EEK		EUR	
	January- June 2003	January- June 2002	January- June 2003	January- June 2002
Gains on sale of non-current assets	34	63	2	4
Income of receivables	11	15	1	1
Interest and interest on arrears received	4			
Insurance indemnification	197	301	13	20
Foreign exchange gain	54	80	3	5
Other	21		1	
<b>Total</b>	<b>321</b>	<b>459</b>	<b>20</b>	<b>30</b>

### **Note 13. Expenses**

(In thousands)	EEK		EUR	
	January- June 2003	January- June 2002	January- June 2003	January- June 2002
Materials	28,305	27,729	1,809	1,772
Ancillary materials	31,810	27,101	2,033	1,732
Bottles, crates and pallets	140,828	157,246	9,001	10,050
Imported beverages	11,699	12,672	748	810
Other	13,823	11,422	883	730
<b>Total materials, consumables and supplies</b>	<b>226,465</b>	<b>236,170</b>	<b>14,474</b>	<b>15,094</b>
Advertising	25,066	21,619	1,602	1,382
Transportation and vehicle expenses	16,009	17,597	1,023	1,125
Waste disposal	3,089	3,448	197	220
Renovation of buildings and equipment repair	1,914	4,435	122	283
Other services	8,057	8,522	515	545
Other expenses	5,605	5,107	359	327
<b>Total other operating expenses</b>	<b>59,740</b>	<b>60,728</b>	<b>3,818</b>	<b>3,882</b>
Wages and salaries	18,805	19,598	1,202	1,253
Social tax	6,414	6,620	410	422
Unemployment insurance premiums	83	91	5	6
<b>Total personnel expenses</b>	<b>25,302</b>	<b>26,309</b>	<b>1,617</b>	<b>1,681</b>
Sponsoring, entertainment expenses and expenses not related to the core production	907	4,384	58	280
Interest and interest on arrears paid	6	74		5
Foreign exchange loss	114	154	8	10
<b>Total other expenses</b>	<b>1,027</b>	<b>4,612</b>	<b>66</b>	<b>295</b>

### **Note 14. Financial income and expenses**

(In thousands)	EEK		EUR	
	January- June 2003	January- June 2002	January- June 2003	January- June 2002
Interest income	51	105	3	7
<b>Total financial income</b>	<b>51</b>	<b>105</b>	<b>3</b>	<b>7</b>
Interest expense	717	861	46	55
Foreign exchange loss	42	4	2	
Change in the value of financial investments	121		8	
<b>Total financial expenses</b>	<b>880</b>	<b>865</b>	<b>56</b>	<b>55</b>

### **Note 15. Earnings per share**

	EEK		EUR	
	30.6.2003	30.6.2002	30.6.2003	30.6.2002
Net profit (in thousands)	16,448	26,117	1,051	1,670
Number of shares	8,000,000	8,000,000	8,000,000	8,000,000
<b>Basic earnings per share</b>	<b>2.06</b>	<b>3.26</b>	<b>0.13</b>	<b>0.21</b>
<b>Diluted earnings per share</b>	<b>2.06</b>	<b>3.26</b>	<b>0.13</b>	<b>0.21</b>

### **Note 16. Statement of management responsibility**

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the financial statements of Saku Brewery Ltd for the first six months of 2003 as set out on pages 1 to 16 of this report, and confirms that to the best of its knowledge, information and belief:

- the accounting policies applied at the preparation of the financial statements comply with generally accepted accounting principles;
- the 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 have been properly recognised and disclosed;
- Saku Brewery Ltd is a going concern

### **Note 17. Review of operations and results**

According to the Estonian Breweries Association, in the first six months the total volume of the beer market was 44,5 m litres, 7% down on the same period of 2002. The main reason was a cold weather in the season – in the spring and in the first half of the summer.

In quantitative terms, Saku Brewery Ltd sold 26 m litres of beverages, 3% decrease on the six months of 2002. Beer sales amounted to 22 m litres, 7% decrease on the

same period of the last year. Domestic sales amounted 19,3 m litres. Decrease of the sales was caused by the shrank of the beer market by 7% in the period because of cold weather in the period.

According to the Estonian Breweries Association Estonian beer market was divided in the period by Saku Brewery 43,5%; Tartu Brewery 36,5%; Viru brewery 7,5%; Pärnu Brewery 3%; Viru Nigula Brewery 1%; Saaremaa Brewery 0,4%, Sillamäe Brewery 0,1% and imported beer 8%.

Estonian cider market increased 25% compared to the last year same period. Cider sales of Saku Brewery grew 75% compared to the last year, thanks to new canned products.

Saku Brewery Ltd ended the first half of 2003 with net sales of EEK 354.0m (EUR 22.6m), a decline of EEK 18.4m (EUR 1.2m), i.e. 5 percent, on the EEK 372.4m (EUR 23.8m) attained in the same period in 2002. Roughly EEK 17.3m (EUR 1.1m) of the decline can be attributed to a decrease in the sales of bottles, which resulted from a shrinkage in the size of the beer market (-6.5 percent compared to the first half of 2002) and an increase in the share of canned products. Sales of self-produced beers decreased by EEK 6.3m (EUR 0.4m), i.e. 3.5 percent, whereas the sales of other self-produced alcoholic beverages (cider and long drinks) grew by an outstanding EEK 7.2m (EUR 0.5m), i.e. 157.3 percent. Altogether, in monetary terms, sales of beverages remained on more or less on the same level as at the end of the first six months of 2002.

Expenses for the first half-year were EEK 13.5m (EUR 0.9m) i.e. 3.9 percent smaller than a year ago. Although the share of containers in circulation decreased by EEK 16.4m (EUR 1.1m), the total cost of materials, consumables and supplies decreased by EEK 9.7m (EUR 0.6m) only, mostly because of an increase in the share of canned products and inventories. Other operating expenses, personnel expenses, depreciation and other expenses proved EEK 3.8m (EUR 0.2m) smaller than a year ago.

Operating profit for the first six months of 2003 amounted to EEK 25.0m (EUR 1.6m), a decrease of EEK 1.9m (EUR 0.1m), i.e. 7.1 percent, on the EEK 26.9m (EUR 1.7m) earned in the first half-year of 2002. The main reason for the decline is the shrinkage of the beer market, which brought about a decrease in the sale of beers.

Due to a change in the guidelines issued by the Estonian Accounting Standards Board, which became effective at the beginning of 2003 and require that in contrast to previously applied accounting principles dividend tax should be recognised as an expense in the period where the dividend is declared, net profit for the period amounted to EEK 16.4m (EUR 1.1m), i.e. EEK 9.7m (EUR 0.6m) less than at the end of the first six months of 2002 when dividend tax was recognised directly in the balance sheet.

Cash flows for the period were EEK 34.1m (EUR 2.2m) larger than a year ago, mostly because of less extensive investment.

<b>FINANCIAL RATIOS</b>	January- June 2003	January- June 2002
Operating margin (operating profit / total revenue)	6.9%	7.2%



Net margin (net profit / total revenue)	4.6%	7.0%
Return on assets (net profit / average total assets)	3.9%	6.3%
Return on equity (net profit / average equity)	4.8%	7.5%
Non-current asset turnover ratio (total revenue / average non-current assets)	1.3	1.4
Total assets turnover ratio (total revenue / average total assets)	0.9	0.9