

**SAKU BREWERY LTD
INTERIM FINANCIAL STATEMENTS
HALF-YEAR 2004**

**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 statements: unaudited

**SAKU BREWERY LTD:
Commercial Register number 10030278
Saku alevik, Saku vald, Harjumaa 75501
Phone: 650 8400
Fax: 650 8401
Email: saku@pruul.ee
Web page: www.saku.ee**

The activities of Saku Brewery Ltd are managed by a three-member management board. The chairman of the management board is Cardo Rimmel.

**SAKU BREWERY LTD
FINANCIAL STATEMENTS
HALF-YEAR 2004**

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Financial statements

BALANCE SHEET

(In thousands)

	EEK			€		
	30.6.2004	30.6.2003	31.12.2003	30.6.2004	30.6.2003	31.12.2003
ASSETS						
Cash and bank	22,701	19,773	22,023	1,451	1,264	1,408
Trade receivables (Note 2)	68,503	55,956	35,308	4,378	3,576	2,256
Other receivables and prepayments (Note 3)	9,456	7,137	3,882	604	456	248
Inventories (Note 4)	140,856	138,078	113,652	9,002	8,825	7,264
TOTAL CURRENT ASSETS	241,516	220,944	174,865	15,435	14,121	11,176
Non-current assets						
Long-term financial assets (Note 9)	13,460	16,000	14,060	860	1,023	899
Long-term receivables (Note 5)	27	63	45	2	4	3
Property, plant and equipment (Note 6)	250,763	243,682	245,843	16,027	15,574	15,712
Intangible assets (Note 7)	455	979	719	29	62	46
TOTAL NON-CURRENT ASSETS	264,705	260,724	260,667	16,918	16,663	16,660
TOTAL ASSETS	506,221	481,668	435,532	32,353	30,784	27,836
LIABILITIES AND EQUITY						
Current liabilities						
Debt obligations (Note 8)	531	1,232	907	34	79	58
Trade payables	27,211	31,148	12,226	1,739	1,991	782
Payables to group companies (Note 14)	56,039	47,797	4,600	3,582	3,055	294
Deposit liability (Notes 4, 6)	32,769	36,908	29,209	2,094	2,359	1,867
Tax liabilities (Note 10)	35,036	23,350	15,809	2,239	1,492	1,010
Payables to employees	2,928	3,526	4,288	187	226	274
Dividends payable		6,894			441	
Other accrued expenses	9,370		1,599	599		102
Provisions	115	2,052	373	7	131	24
TOTAL CURRENT LIABILITIES	163,999	152,907	69,011	10,481	9,774	4,411
Non-current liabilities						
Non-convertible debt (Note 8)	58	981	419	4	62	27
TOTAL NON-CURRENT LIABILITIES	58	981	419	4	62	27
Equity (Note 12)						
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	194,032	179,262	179,262	12,400	11,456	11,457
Net profit/loss for the period	16,062	16,448	54,770	1,027	1,051	3,500
TOTAL EQUITY	342,164	327,780	366,102	21,868	20,948	23,398
TOTAL LIABILITIES AND EQUITY	506,221	481,668	435,532	32,353	30,784	27,836

INCOME STATEMENT

(In thousands)

	January- June 2004	EEK January- June 2003	2003	January- June 2004	€ January- June 2003	2003
Revenue						
Sales revenue (Note 13)	255,073	213,302	463,362	16,302	13,632	29,614
Other revenue (Note 15)	144	321	736	9	20	47
Total revenue	255,217	213,623	464,098	16,311	13,652	29,661
Expenses (Note 16)						
Changes in work in progress and finished goods inventories	-10,870	-6,271	453	-694	-401	29
Materials, consumables and supplies used	118,814	85,637	185,104	7,593	5,473	11,830
Other operating expenses	64,249	59,740	112,158	4,106	3,818	7,168
Personnel expenses	29,472	25,302	52,091	1,884	1,617	3,329
Depreciation and amortization expense	21,931	23,050	46,216	1,401	1,473	2,954
Other expenses	1,459	1,206	4,688	93	77	300
Total expenses	225,055	188,664	400,710	14,383	12,057	25,610
PROFIT FROM OPERATIONS	30,162	24,959	63,388	1,928	1,595	4,051
Financial income and expenses (Note 17)	-46	-829	-936	-3	-53	-60
PROFIT FOR THE PERIOD BEFORE TAX	30,116	24,130	62,452	1,925	1,542	3,991
Income tax expense	14,054	7,682	7,682	898	491	491
NET PROFIT FOR THE PERIOD	16,062	16,448	54,770	1,027	1,051	3,500
Basic earnings per share (Note 18)	2.01	2.06	6.85	0.13	0.13	0.44
Diluted earnings per share (Note 18)	2.01	2.06	6.85	0.13	0.13	0.44

Q2 INCOME STATEMENT

(In thousands)

	EEK		€	
	Q2 2004	Q2 2003	Q2 2004	Q2 2003
Revenue				
Sales revenue	170,715	136,438	10,911	8,719
Other revenue	62	130	4	8
Total revenue	170,777	136,568	10,915	8,727
Expenses				
Changes in work in progress and finished goods inventories	-4,050	-28	-258	-2
Materials, consumables and supplies used	77,800	51,943	4,972	3,319
Other operating expenses	39,303	35,857	2,512	2,292
Personnel expenses	16,310	12,813	1,043	819
Depreciation and amortization expense	10,995	11,432	702	730
Other expenses	739	852	47	55
Total expenses	141,097	112,869	9,018	7,213
PROFIT FROM OPERATIONS	29,680	23,699	1,897	1,514
Financial income and expenses	-148	-617	-9	-39
Q2 PROFIT BEFORE TAX	29,532	23,082	1,888	1,475
Income tax expense	14,054		898	
Q2 NET PROFIT	15,478	23,082	990	1,475
Basic earnings per share	1.93	2.89	0.12	0.18
Diluted earnings per share	1.93	2.89	0.12	0.18

CASH FLOW STATEMENT

(In thousands)

	EEK			€		
	January- June 2004	January- June 2003	2003	January- June 2004	January- June 2003	2003
Operating activities						
Profit from operations	30,162	24,959	63,388	1,928	1,595	4,051
Adjustments for						
Depreciation and amortization	21,931	23,050	46,216	1,401	1,473	2,954
Result of non-current asset sales and write-off	-109	-55	1,577	-8	-4	101
Transformation of a long-term receivable into a short-term one	18	35	53	1	2	3
Change in the value of financial assets	-120	-121		-7	-7	
Non-cash income (Note 19)	-266			-17		
Non-cash expenses (Note 19)	866		1,646	55		105
Change in inventories	-27,204	-19,598	4,828	-1,738	-1,253	309
Change in receivables	-38,769	-31,397	-7,494	-2,478	-2,006	-479
Change in current liabilities	95,364	80,558	-1,983	6,094	5,149	-127
Interest paid	-301	-717	-982	-19	-46	-63
Corporate income tax paid	-14,054	-7,682	-7,682	-898	-491	-491
Net cash from operating activities	67,518	69,032	99,567	4,314	4,412	6,363
Investing activities						
Acquisition of property, plant and equipment	-26,964	-6,221	-34,539	-1,723	-398	-2,207
Sale of property, plant and equipment	185	88	338	12	5	22
Liquidation of a subsidiary			99			6
Interest received	406	51	309	26	3	20
Net cash used in investing activities	-26,373	-6,082	-33,793	-1,685	-390	-2,159
Financing activities						
Dividends paid	-40,000	-40,000	-40,000	-2,556	-2,556	-2,556
Payment of finance lease principal (Note 8)	-437	-610	-1,158	-28	-38	-74
Bank overdraft		-5,821	-5,821		-372	-372
Net cash used in financing activities	-40,437	-46,431	-46,979	-2,584	-2,966	-3,002
Net cash flows	708	16,519	18,795	45	1,056	1,202
Effect of exchange rate fluctuations	-30	-42	-68	-2	-2	-4
Increase in cash and cash equivalents	678	16,477	18,727	43	1,054	1,198
Cash and cash equivalents at beginning of period	22,023	3,296	3,296	1,408	210	210
Cash and cash equivalents at end of period	22,701	19,773	22,023	1,451	1,264	1,408
Increase in cash and cash equivalents	678	16,477	18,727	43	1,054	1,198

STATEMENT OF CHANGES IN EQUITY

(In thousands of EEK)	Share capital	Mandatory capital reserve	Other reserves	Accumulated profits	Net profit for the period	Total equity
1 January 2003	80,000	8,000	44,070	219,262	0	351,332
Dividends paid				-40,000		-40,000
Net profit for the period					16,448	16,448
30 June 2003	80,000	8,000	44,070	179,262	16,448	327,780
1 January 2004	80,000	8,000	44,070	234,032	0	366,102
Dividends paid				-40,000		-40,000
Net profit for the period					16,062	16,062
30 June 2004	80,000	8,000	44,070	194,032	16,062	342,164

(In thousands of €)	Share capital	Mandatory capital reserve	Other reserves	Accumulated profits	Net profit for the period	Total equity
1 January 2003	5,113	511	2,817	14,012	0	22,453
Dividends paid				-2,556		-2,556
Net profit for the period					1,051	1,051
30 June 2003	5,113	511	2,817	11,456	1,051	20,948
1 January 2004	5,113	511	2,817	14,956	0	23,397
Dividends paid				-2,556		-2,556
Net profit for the period					1,027	1,027
30 June 2004	5,113	511	2,817	12,400	1,027	21,868

During the reporting period no transactions or related income or expense were recognized directly in equity.

Notes to the financial statements

Note 1. Accounting policies

The interim financial statements for the first half-year of 2004 have been prepared in accordance with the same accounting policies that were applied in the preparation of the annual financial statements for 2003. The company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and they comply with IAS 34.

Note 2. Trade receivables

(In thousands)	EEK		€	
	30.6.2004	30.6.2003	30.6.2004	30.6.2003
Due from customers	68,587	56,074	4,384	3,584
Allowance for doubtful receivables	-150	-150	-10	-10
Write-off of irrecoverable items	75	53	5	3
Collection of irrecoverable items expensed in prior periods	-9	-21	-1	-1
Total	68,503	55,956	4,378	3,576

The ratio of irrecoverable receivables written off in 2004 to sales revenue is 0.03%. Expenditure related to write-off of receivables is recognized as other expense.

Note 3. Other receivables and prepayments

(In thousands)	EEK		€	
	30.6.2004	30.6.2003	30.6.2004	30.6.2003
Receivables from group companies (Note 14)	5,177	2,515	331	161
Miscellaneous short-term receivables	916	419	58	26
Prepaid VAT	720	1,640	46	105
Prepaid expenses	2,643	2,563	169	164
Total	9,456	7,137	604	456

Note 4. Inventories

(In thousands)	EEK		€	
	30.6.2004	30.6.2003	30.6.2004	30.6.2003
Materials	34,216	33,873	2,187	2,165
Work in progress	8,268	9,347	528	597
Finished goods	15,166	9,941	969	635
Merchandise purchased for resale	52,992	46,902	3,387	2,998
Prepayments to suppliers	951	1,107	61	71
Returnable containers held by customers	29,263	36,908	1,870	2,359
Total	140,856	138,078	9,002	8,825

In the first half of 2004 expenses from the write-off and write-down of inventories whose realizable value had decreased below cost amounted to EEK 1,802,000 (€115,000). Write-off expenses are recognized as the cost of materials, consumables and supplies. Compared to the first six months of 2003, inventories are 2.1% larger.

Since 2003 inventories recognized in the balance sheet include returnable containers sold to customers. The related contingent repurchase obligation is reported as a deposit liability. The value of the containers cannot be measured precisely because the repurchase system is open to many producers and distributors. As a result, the value of returnable containers is determined on the basis of their estimated turnover ratio.

Note 5. Long-term receivables

Long-term receivables of EEK 27,000 (€2,000) comprise receivables from a company for sale of assets under an instalment plan. Receivables related to the transaction break down between periods as follows:

receivable within 1 year– EEK 27,000 (€2,000).

Note 6. Property, plant and equipment

Movements in property, plant and equipment in the first 6 months of 2004

(In thousands of EEK)	Land	Buildings and constructions	Plant and equipment	Motor vehicles	IT equipment	Other equipment and fixtures	Kegs	Let assets	Assets held under finance lease	Prepayments and investments in progress	Total
Cost											
Opening balance 31.12.2003	3,186	128,258	254,989	7,559	3,915	62,217	6,058	4,065	4,269	22,316	496,832
Acquisitions		835	6,635	415	446	4,284		951		13,398	26,964
Write-off, termination of lease			-440	-847					-1,018		-2,305
Closing balance 30.6.2004	3,186	129,093	261,184	7,127	4,361	66,501	6,058	5,016	3,251	35,714	521,491
Depreciation											
Opening balance 31.12.2003	0	31,851	158,723	5,790	2,886	43,670	3,331	1,628	3,110	0	250,989
Depreciation charge of 2004		2,833	10,883	632	398	5,715	303	474	429		21,667
Write-off, termination of lease			-311	-847					-770		-1,928
Closing balance 30.6.2004	0	34,684	169,295	5,575	3,284	49,385	3,634	2,102	2,769	0	270,728
Carrying amount											
Opening balance 31.12.2003	3,186	96,407	96,266	1,769	1,029	18,547	2,727	2,437	1,159	22,316	245,843
Closing balance 30.6.2004	3,186	94,409	91,889	1,552	1,077	17,116	2,424	2,914	482	35,714	250,763

(In thousands of €)	Land	Buildings and constructions	Plant and equipment	Motor vehicles	IT equipment	Other equipment and fixtures	Kegs	Let assets	Assets held under finance lease	Prepayments and investments in progress	Total
Cost											
Opening balance 31.12.2003	204	8,196	16,298	483	250	3,977	387	260	273	1,426	31,754
Acquisitions		53	424	27	28	274		61		856	1,723
Write-off, termination of lease			-28	-54					-65		-147
Closing balance 30.6.2004	204	8,249	16,694	456	278	4,251	387	321	208	2,282	33,330
Depreciation											
Opening balance 31.12.2003	0	2,036	10,144	372	185	2,790	212	104	199	0	16,042
Depreciation charge of 2004		181	696	40	25	365	19	30	28		1,384
Write-off, termination of lease			-20	-54					-49		-123
Closing balance 30.6.2004	0	2,217	10,820	358	210	3,155	231	134	178	0	17,303
Carrying amount											
Opening balance 31.12.2003	204	6,160	6,154	111	65	1,187	175	156	74	1,426	15,712
Closing balance 30.6.2004	204	6,032	5,874	98	68	1,096	156	187	30	2,282	16,027

Let assets comprise bar furniture, which has been leased under the terms of operating lease to support HoReCa sales. Operating lease income for the first six months of 2004 amounted to EEK 35,000 (€2,000).

On 30 June 2004, kegs of EEK 3,506,000 (€224,000) were held by customers (the kegs belong to Saku Brewery Ltd). The deposits received from customers as security for the kegs are recognized as deposit liabilities.

Note 7. Intangible assets

(In thousands)

	EEK 30.6.2004	€ 30.6.2004
Cost		
Opening balance	1,759	112
Acquisition	0	0
Closing balance	1,759	112
Amortization		
Opening balance	1,040	66
Amortization charge for 2004	264	17
Closing balance	1,304	83
Carrying amount		
Opening balance	719	46
Closing balance	455	29

Intangible assets consist of computer software that has long-term significance for the business and has been specially adjusted to the company's needs. Amortization expense is recognized in the income statement together with depreciation expense.

Note 8. Finance and operating lease

The company as a lessor

Operating lease

To support HoReCa sales, Saku Brewery Ltd has let bar furniture under the terms of operating lease. The cost of the furniture amounts to EEK 5,016,000 (€321,000) and carrying amounts as of 30 June 2004 totalled EEK 2,914,000 (€187,000). The period's operating lease income of EEK 35,000 (€2,000) has been recognized as sales revenue. The assets' depreciation for the period of EEK 474,000 (€30,000) has been recognized together with the depreciation of other items of property, plant and equipment. The lease income of subsequent periods breaks down as follows:

- receivable within up to 1 year – EEK 68,000 (€4,000);
- receivable within 1 – 4 years – EEK 91,000 (€6,000).

The company as a lessee

Finance lease

Motor vehicles are used under 18 finance lease agreements. On 30 June 2004 the current portion of finance lease liabilities amounted to EEK 531,000 (€34,000) and was recognized as a debt obligation, and the non-current portion amounted to EEK 58,000 (€4,000) and was recognized as non-convertible debt.

The base currency of the agreements is euro. Interest rates range from 7.0-8.7% and have been fixed for the entire terms of the agreements. The agreements do not impose restrictions on the company's dividend or financing policies. At the end of the lease term, Saku Brewery Ltd can buy the leased assets at their carrying amounts. Assets held under finance lease have not been sublet.

FINANCE LEASE OF MOTOR VEHICLES

(In thousands)

	EEK		€	
	30.6.2004	30.6.2003	30.6.2004	30.6.2003
Cost	3,251	5,438	208	348
Accumulated depreciation	2,769	3,432	178	220
Principal paid during the period	437	610	28	38
Interest payments made during the period	81	170	5	11
Minimum amount of lease payments	589	2,213	38	141
Incl. falling due within 1 year	531	1,232	34	79
falling due within 1 - 4 years	58	981	4	62
... incl. principal	496	1,880	32	120
falling due within 1 year	446	968	29	62
falling due within 1 - 4 years	50	912	3	58
... incl. interest payments	93	333	6	21
falling due within 1 year	85	264	5	17
falling due within 1 - 4 years	8	69	1	4

In the first six months of 2004 the cost and accumulated depreciation of leased motor vehicles decreased by EEK 1,018,000 (€65,000) and EEK 770,000 (€49,000) respectively on account of termination of agreements. The depreciation charge for the first six months of 2004 amounted to EEK 429,000 (€28,000) and has been recognized in the income statement under depreciation and amortization expense.

Operating lease

During the reporting period we made and expensed operating lease payments of EEK 1,406,000 (€90,000) related to motor vehicles and operating lease payments of EEK 316,000 (€20,000) related to production plant and equipment. We have 45 agreements on the operating lease of vehicles and 2 on the operating lease of plant and equipment.

OPERATING LEASE

(In thousands)

	EEK		€	
	30.6.2004	30.6.2003	30.6.2004	30.6.2003
Lease payments made during the period	1,722	1,398	110	89
Incl. contingent lease payment for plant and equipment	124	0	8	0
Minimum amount of lease payments	4,651	2,844	297	182
Incl. payable within up to 1 year	2,019	1,195	129	76
payable within 1-5 years	2,632	1,649	168	106

The base currency of all agreements on the lease of motor vehicles is euro. The agreements do not impose restrictions on our dividend or financing policies. Leased vehicles have not been sublet.

The base currency of agreements on the lease of plant and equipment is also euro and the agreements do not impose restrictions on our dividend or financing policies. Leased assets have not been sublet. One agreement sets out a contingent lease payment whose amount depends on how intensively the asset (can filling line) is used.

Note 9. Financial instruments

(In thousands)

	Number of instruments 30.6.2004	Cost EEK (€) 31.12.2003	Redemption / change in value EEK (€) 2004	Cost EEK (€) 30.6.2004	Interest (%)
AS Rocca al Mare Suurhall	22 registered B shares	3,060 (196)		3,060 (196)	0.006
AS Rocca al Mare Suurhall	104 registered bonds of one type	11,000 (703)	-600 (-39)	10,400 (664)	
Total		14,060 (899)	-600 (-39)	13,460 (860)	

Saku Brewery Ltd has 22 B shares and 104 bonds issued by AS Rocca al Mare Suurhall. The shares and the bonds are part of a 10-year cooperation agreement (expiring in October 2011) according to which the recreational complex bears the name Saku Suurhall and grants Saku Brewery Ltd extensive sales and advertising rights.

The shares were acquired with a premium of EEK 149,900 (€9,580) per share and 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. They are linked to the cooperation agreement and do not have an active aftermarket. Therefore, since 2003 the shares are reported at amortized cost as required by IAS 39. The extent of the amortization is EEK 240,000 (€15,000) per year, which should reflect the decrease in the carrying amount of the benefits provided by the cooperation agreement that occurs over time. The amortization expense is recognized as financial expense.

The par value of a bond issued by AS Rocca al Mare Suurhall is EEK 100,000 (€6,000). The bonds were issued for a special purpose and since December 2003 bear an annual interest of 5% of the outstanding balance. The bonds are redeemed over the term of the cooperation agreement. Saku Brewery Ltd intends to hold the bonds until redemption. Therefore, in line with IAS 39 the bonds are reported at amortized cost, i.e. at an amount discounted at a rate appropriate for the instrument. According to estimates, the nominal interest of the bonds is roughly equal to their discount rate. Therefore, at 30 June 2004 the bonds have been reported at par value. To reduce the credit risk of the bonds, all agreements related 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.

INCOME-EARNING FINANCIAL ASSETS AND INTEREST-BEARING FINANCIAL LIABILITIES

(In thousands of EEK)

	30.6.2004					30.6.2003				
	Effective interest rate	Maturity date falling within				Effective interest rate	Maturity date falling within			
		up to 1 year	1 – 5 years	over 5 years	Total		up to 1 year	1 – 5 years	over 5 years	Total
Financial assets										
AS Rocca al Mare Suurhall bonds	5.00	1,400	5,600	3,400	10,400	0.0	1,600	5,600	5,400	12,600
Financial liabilities										
Finance lease of vehicles	8.2	531	58		589	8.2	1,232	981		2,213

(In thousands of €)

	30.6.2004					30.6.2003				
	Effective interest rate	Maturity date falling within				Effective interest rate up to 1 year	Maturity date falling within			
		up to 1 year	1 – 5 years	over 5 years	Total		up to 1 year	1 – 5 years	over 5 years	Total
Financial assets										
AS Rocca al Mare Suurhall bonds	5.0	89	358	218	665	0.0	103	358	345	806
Financial liabilities										
Finance lease of vehicles	8.2	34	4		38	8.2	79	62		141

Exposure to credit risk, interest rate risk and foreign currency risk arises in the normal course of the business.

Credit risk

Saku Brewery Ltd has a credit policy in place and exposure to credit risks is monitored on an ongoing basis. Credit evaluations are performed systematically and all customers are assigned credit limits and settlement terms.

Short-term financial investments are allowed in liquid local and foreign money market instruments that have an investment rating. Long-term financial investments are made when it is required for the development of the core activity, based on the conditions prevailing in the case.

At the balance sheet date, the most significant concentration of credit risk was related to the shares and bonds issued by AS Rocca al Mare Suurhall. To reduce the credit risk, all agreements relating to the investments 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.

Interest rate risk

As a rule, activities are financed with equity instruments. Owing to the seasonal nature of the business, however, from time to time short-term external financial

instruments such as bank overdrafts, short-term loans, etc are used. Interest rates may be fixed or floating. Since 2003 the Baltic companies of the BBH Group have actively cooperated in managing their short-term liquidity.

External financing (finance lease) is used for the purchase of motor vehicles. As a rule, the base currency of the lease agreements is euro and interest rates are fixed for the whole lease term.

Since the share of external financing in the entire capital structure is minimal, related risks are minimal and have not been hedged.

Foreign currency risk

Nearly all purchase and sales transactions are conducted in Estonian kroons, euro or currencies pegged to the latter. Therefore the need for hedging instruments is minimal.

Fair values

The fair values of financial instruments do not differ significantly from their carrying amounts.

Note 10. Tax liabilities

(In thousands)	EEK		€	
	30.6.2004	30.6.2003	30.6.2004	30.6.2003
Alcohol excise duty	21,541	15,210	1,376	972
Value-added tax	10,623	6,038	679	385
Personal income tax	984	698	63	45
Social tax	1,492	1,105	95	71
Income tax on fringe benefits, and non-business and entertainment expenses	279	228	18	15
Unemployment insurance premiums	61	41	4	2
Funded pension premiums	56	30	4	2
Total	35,036	23,350	2,239	1,492

Note 11. Provisions

(In thousands)	EEK	€
	2004	2004
31 December 2003	373	24
Provisions created during the period	0	0
Provisions used during the period	258	17
30 June 2004	115	7
Current portion	115	7

Provisions include the costs of sales campaign prizes.

Note 12. Equity

The share capital of Saku Brewery Ltd amounts to EEK 80m (€5.113m) and is made up of 8m registered shares with a par value of EEK 10 (€0.64) each. The shares have been fully paid for. In compliance with the Articles of Association, the minimum and maximum share capital amount to EEK 80m (€5.113m) and EEK 320m (€20.45m) respectively. The minimum number of shares is 8m and the maximum one 32m. The number of shares issued did not change during the reporting period. The holders of shares are entitled to receive dividends and have one vote per share at meetings of the company. On 2 April 2004 the general meeting of the shareholders approved the proposal of the management board to declare a net dividend of EEK 40m (€2.6m) in aggregate for 2003. The dividend was paid out on 10 May 2004.

Other reserves of EEK 44,070,000 (€2,817,000) comprise gains on translation of foreign currency accounts and receivables conducted in 1992 using the Bank of Estonia exchange rates of 1 January 1992. The use of the reserve has not been determined.

During the financial year no transaction or associated income or expense was charged directly to equity.

Note 13. Sales revenue

SALES OF PRODUCTS AND SERVICES

(In thousands)

	EEK		€	
	January- June 2004	January- June 2003	January- June 2004	January- June 2003
Saku beers	194,471	174,255	12,429	11,137
Imported beers	13,340	5,867	852	375
Saku mineral water	2,629	798	168	51
Imported mineral water	8,874	10,210	567	653
Other Saku alcoholic beverages	19,993	11,836	1,278	756
Other imported alcoholic beverages	2,308		148	
Saku soft drinks	3,332		213	
Imported soft drinks	8,293	8,154	530	521
By-products	640	549	41	35
Services	528	843	34	54
Other goods	665	790	42	50
Total	255,073	213,302	16,302	13,632

SALES BY MARKETS

(In thousands)

	EEK		€	
	January- June 2004	January- June 2003	January- June 2004	January- June 2003
Estonia	223,322	192,716	14,273	12,316
Exports (Lithuania, Latvia, Finland, the USA, and Japan)	31,751	20,586	2,029	1,316
Total	255,073	213,302	16,302	13,632

Note 14. Transactions with related parties

Purchases from related parties:

(In thousands)	EEK		€	
	January- June 2004	January- June 2003	January- June 2004	January- June 2003
	A/O Aldaris	11,932	6,658	763
AB Svyturys-Utenos Alus	11,718	593	749	38
Baltic Beverages Holding AB	1,800	3,110	115	199
Baltic Beverages Holding OÜ		23		1
Ringnes a.s.	311	1,223	20	78
Sinebrychoff OY	273		17	
OAO PBK Slavutich	6			
OAO PBK Baltika	527		34	
Hartwall AB OY	2,132	1,888	136	121
Carlsberg Breweries A/S	524	161	33	10
Total	29,223	13,656	1,867	873

Sales to related parties:

(In thousands)	EEK		€	
	January- June 2004	January- June 2003	January- June 2004	January- June 2003
	A/O Aldaris	7,869	594	503
AB Svyturys-Utenos Alus	12,909	8,369	825	535
Sinebrychoff OY	6,616		423	
OAO PBK Slavutich		6,200		396
Carlsberg Breweries A/S	210		13	
Baltic Beverages Holding OÜ	47	53	3	3
Total	27,651	15,216	1,767	972

Receivables from related parties:

(In thousands)	EEK	€
	30.6.2004	30.6.2004
A/O Aldaris	681	44
AB Svyturys-Utenos Alus	1,543	98
Sinebrychoff OY	2,943	188
Carlsberg Breweries A/S		
Baltic Beverages Holding OÜ	10	1
Total	5,177	331

Payables to related parties:

(In thousands)	EEK		€	
	30.6.2004		30.6.2004	
A/O Aldaris		54,293		3,470
AB Svyturys-Utenos Alus		1,457		93
Baltic Beverages Holding AB		282		18
Carlsberg Breweries A/S		7		1
Total		56,039		3,582

Sales comprise sales of finished goods, rendering of filling services, and letting of premises. Purchases include purchases of merchandise, containers, and management and advisory services. Purchase and sales transactions with related parties are performed at the Group's transfer prices.

Payables to A/O Aldaris include a short-term loan liability of EEK 53,196,000 (€3,400,000) and an interest liability of EEK 220,000 (€14,000).

Note 15. Other revenue

(In thousands)	EEK		€	
	January- June 2004	January- June 2003	January- June 2004	January- June 2003
Gain on sale of non-current assets	57	34	4	2
Income from receivables	11	11	1	1
Interest on arrears received	23	4	1	
Insurance indemnification received	42	197	3	13
Foreign exchange gain	11	54		3
Other		21		1
Total	144	321	9	20

Note 16. Expenses

(In thousands)	EEK		€	
	January- June 2004	January- June 2003	January- June 2004	January- June 2003
Materials	36,695	28,305	2,345	1,809
Ancillary materials	48,409	31,810	3,094	2,033
Imported beverages	18,426	11,699	1,177	748
Other	15,284	13,823	977	883
Total materials, consumables and supplies	118,814	85,637	7,593	5,473
Advertising	24,728	25,066	1,580	1,602
Transportation and vehicle expenses	17,868	16,009	1,142	1,023
Waste disposal	2,511	3,089	160	197
Renovation of buildings and equipment repair	2,227	1,914	142	122
Purchase of other services	11,352	8,057	726	515
Other expenses	5,563	5,605	356	359
Total other operating expenses	64,249	59,740	4,106	3,818
Wages and salaries	21,998	18,805	1,406	1,202
Social tax	7,375	6,414	471	410
Unemployment insurance premiums	99	83	7	5
Total personnel expenses	29,472	25,302	1,884	1,617
Sponsoring, entertainment expenses and expenses not related to the core activity	996	907	64	58
Interest on arrears paid	7	6		
Purchase and sale of returnable containers	329	179	21	11
Foreign exchange loss	127	114	8	8
Total other expenses	1,459	1,206	93	77

Note 17. Financial income and expenses

(In thousands)	EEK		€	
	January- June 2004	January- June 2003	January- June 2004	January- June 2003
Interest income	406	51	26	3
Total financial income	406	51	26	3
Interest expense	302	717	19	46
Foreign exchange losses	30	42	2	2
Change in the value of financial assets	120	121	8	8
Total financial expenses	452	880	29	56

Note 18. Earnings per share

	EEK		€	
	30.6.2004	30.6.2003	30.6.2004	30.6.2003
Net profit (in thousands)	16,062	16,448	1,027	1,051
Number of shares	8,000,000	8,000,000	8,000,000	8,000,000
Basic earnings per share	2.01	2.06	0.13	0.13
Diluted earnings per share	2.01	2.06	0.13	0.13

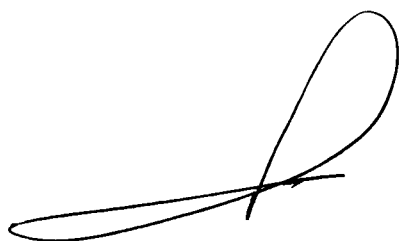
Note 19. Non-cash transactions

A significant non-cash transaction has been the offsetting of the bonds issued by AS Rocca al Mare Suurhall with the latter's claim against Saku Brewery Ltd. The claim arises from a cooperation agreement and is related to provision of advertising services. In the period January-June 2004 the offset figure amounted to EEK 866,000 (€55,000).

Note 20. 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 the first six months of 2004 as set out on pages 1 to 21 of this report, and confirms that to the best of its knowledge, information and belief:

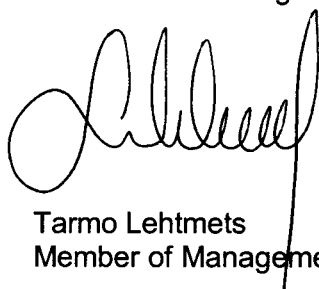
- the policies applied in the preparation of the interim accounts comply with International Financial Reporting Standards;
- the interim financial statements give a true and fair view of the financial position of Saku Brewery Ltd and the results of its operations and its cash flows;
- all significant events that occurred before the date on which the financial statements were authorized for issue have been properly recognized and disclosed; and
- Saku Brewery Ltd is a going concern.



Cardo Remmel
Chairman of Management Board



Jüri Jänese
Member of Management Board



Tarmo Lehtmets
Member of Management Board

Note 21. Review of operations and performance

Our beverage sales for the first six months of 2004 totalled 32.5m litres, 6.3m litres or 24% up on the same period in 2003. Revenues amounted to EEK 255.2m (€16.3m), an EEK 41.6m (€2.7m) or 19.5% improvement on the first six months of 2003. Results improved largely on account of an increase in the sale of beer and other alcoholic beverages, and a rise in the sale of soft drinks.

According to the Estonian Breweries Association, in the first half of 2004 the Estonian beer market grew by 18%. Stronger and cheaper beer segment has increased generally on the market and undermined the mainstream segment. Domestic beer sales of Saku Brewery increased during the period 14% compared to the last year same period, because of a new products, tourists and cheap category products including PET. The company has increased its share in a premium beer market what are related to the launch of Carlsberg can beers and the first domestic wheat beer. At the end of six months, our share of the beer market was 42.0%, being on the market leader position.

The cider and gin long drink markets sustained substantial growth, with 50% and 26% up on the same period in 2003 respectively. At the same time Saku Brewery's cider sales has doubled and gin long drink sales almost tripled.

Since May 1 is the main brand Saku Original distributed by Sinebrychoff in Finnish market, which has increased export to Finland.

Expenses incurred in the first half of 2004 totalled EEK 225.1m (€14.4m), EEK 36.4m (€2.3m) or 19.3% up on the same period in 2003. The largest growth occurred in the cost of materials, consumables and supplies, largely because of an increase in sales and production volumes. Moreover, the volume of beverages sold in one-way packaging (cans and PET) has almost doubled over the year, which has increased related materials costs.

Our operating profit for the first six months of 2004 amounted to EEK 30.2m (€1.9m), EEK 5.2m (€333,000) up on a year ago. Net profit for the period amounted to EEK 16.1m (€1.0m) against the EEK 16.4m (€1.1m) earned in the first half of 2003.

FINANCIAL RATIOS	January- June 2004	January- June 2003
Operating margin (operating profit / total revenue)	11.8%	11.7%
Net margin (net profit / total revenue)	6.3%	7.7%
Return on assets (net profit / average total assets)	3.4%	3.6%
Return on equity (net profit / average equity)	4.5%	4.8%
Non-current asset turnover ratio (total revenue / average non-current assets)	1.0	0.8
Total assets turnover ratio (total revenue / average total assets)	0.5	0.5