

SAKU ÕLLETEHASE AS

INTERIM FINANCIAL STATEMENTS IV QUARTER 2004

Principal activities	production, wholesale, import and export of low-alcohol beverages, mineral water and soft drinks
Beginning of financial year	1 January 2004
End of financial year	31 December 2004
Auditors	Andres Root, Andris Jegers KPMG Estonia
Status of statements	unaudited
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The activities of Saku Õlletehase AS are managed by a three-member management board. The chairman of the management board is Jaak Uus.

SAKU ÖLLETEHASE AS
INTERIM FINANCIAL STATEMENTS
IV QUARTER 2004

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1. Financial statements

BALANCE SHEET

(In thousands)

	EEK		€	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
ASSETS				
Cash and bank balances	36,461	22,023	2,330	1,408
Trade receivables (Note 2)	43,319	35,308	2,768	2,256
Other receivables and prepayments (Note 3)	6,766	5,282	432	337
Inventories (Note 4)	109,674	113,652	7,009	7,264
TOTAL CURRENT ASSETS	196,220	176,265	12,539	11,265
Non-current assets				
Long-term financial investments (Note 5)	11,029	12,705	707	813
Property, plant and equipment (Note 6)	239,295	245,843	15,293	15,712
Intangible assets (Note 7)	596	719	38	46
TOTAL NON-CURRENT ASSETS	250,920	259,267	16,038	16,571
TOTAL ASSETS	447,140	435,532	28,577	27,836
LIABILITIES AND EQUITY				
Current liabilities				
Debt obligations (Note 8)	140	907	9	58
Trade payables	16,266	12,226	1,039	782
Other payables (Note 13)	471	4,600	30	294
Tax liabilities (Note 9)	23,314	15,809	1,490	1,010
Payables to employees	3,095	4,288	198	274
Other accrued expenses	3,078	1,599	196	102
Provisions (Note 10)	24,636	29,582	1,575	1,891
TOTAL CURRENT LIABILITIES	71,000	69,011	4,537	4,411
Non-current liabilities				
Finance lease liabilities (Note 8)		419		27
TOTAL NON-CURRENT LIABILITIES		419		27
Equity (Note 11)				
Share capital	80,000	80,000	5,113	5,113
Compulsory capital reserve	8,000	8,000	511	511
Other reserves	44,070	44,070	2,817	2,817
Retained earnings	194,032	179,262	12,401	11,457
Profit for the period	50,038	54,770	3,198	3,500
TOTAL EQUITY	376,140	366,102	24,040	23,398
TOTAL LIABILITIES AND EQUITY	447,140	435,532	28,577	27,836

INCOME STATEMENT

(In thousands)

	EEK		€	
	2004	2003	2004	2003
Revenue				
Sales revenue (Note 12)	530,865	463,362	33,928	29,614
Other revenue (Note 14)	705	736	46	47
Total revenue	531,570	464,098	33,974	29,661
Expenses				
Change in work in progress and finished goods inventories	-6,105	453	-390	29
Materials, consumables and services (Note 15)	241,305	185,104	15,422	11,830
Other operating expenses (Note 15)	125,292	112,158	8,008	7,168
Personnel expenses (Note 15)	58,081	52,091	3,712	3,329
Depreciation and amortisation charges (Notes 6, 7)	45,025	46,216	2,878	2,954
Other expenses (Note 15)	3,915	4,688	250	300
Total expenses	467,513	400,710	29,880	25,610
OPERATING PROFIT	64,057	63,388	4,094	4,051
Financial income and expenses (Note 16)	35	-936	2	-60
PROFIT BEFORE TAX	64,092	62,452	4,096	3,991
Income tax expense (Note 18)	14,054	7,682	898	491
PROFIT FOR THE PERIOD	50,038	54,770	3,198	3,500
Basic earnings per share (Note 17)	6.25	6.85	0.40	0.44
Diluted earnings per share (Note 17)	6.25	6.85	0.40	0.44

Q4 INCOME STATEMENT

(In thousands)

	EEK		€	
	Q4 2004	Q4 2003	Q4 2004	Q4 2003
Revenue				
Sales revenue	114,838	93,339	7,339	5,966
Other revenue	151	340	11	22
Total revenue	114,989	93,679	7,350	5,988
Expenses				
Change in work in progress and finished goods inventories	1,476	7,201	94	461
Materials, consumables and services	52,343	37,495	3,345	2,396
Other operating expenses	28,696	20,890	1,835	1,335
Personnel expenses	13,844	13,986	885	894
Depreciation and amortisation charges	12,276	11,886	785	760
Other expenses	962	831	61	54
Total expenses	109,597	92,289	7,005	5,900
OPERATING PROFIT	5,392	1,390	345	88
Financial income and expenses	168	121	10	8
Q4 NET PROFIT	5,560	1,511	355	96
Basic earnings per share	0.70	0.19	0.04	0.01
Diluted earnings per share	0.70	0.19	0.04	0.01

CASH FLOW STATEMENT UNDER THE INDIRECT METHOD

(In thousands)

	EEK		€	
	2004	2003	2004	2003
Cash flows from operating activities				
Operating profit	64,057	63,388	4,094	4,051
Adjustments for				
Depreciation and amortisation charges (Notes 6, 7)	45,025	46,216	2,878	2,954
Result of non-current asset sales and write-off	-391	1,577	-25	101
Transformation of a long-term receivable into a short-term one	36	53	2	3
Non-cash expenses (Note 20)	1,914	1,646	123	105
Change in inventories	3,978	4,828	255	309
Change in receivables	-9,495	-7,494	-607	-479
Change in current liabilities	2,756	-1,983	175	-127
Interest paid	-531	-982	-34	-63
Corporate income tax paid (Note 18)	-14,054	-7,682	-898	-491
Net cash from operating activities	93,295	99,567	5,963	6,363
Cash flows from investing activities				
Acquisition of non-current assets (Notes 6, 7)	-38,901	-34,539	-2,487	-2,207
Sale of non-current assets	453	338	29	22
Cash from liquidation of subsidiary		99		6
Interest received	361	309	24	20
Net cash used in investing activities	-38,087	-33,793	-2,434	-2,159
Cash flows from financing activities				
Dividends paid (Note 11)	-40,000	-40,000	-2,557	-2,557
Payment of finance lease principal (Note 8)	-701	-1,158	-45	-74
Repayment of bank overdraft		-5,821		-372
Intra-group loans received (Note 13)	61,016	57,893	3,900	3,700
Intra-group loans repaid (Note 13)	-61,016	-57,893	-3,900	-3,700
Net cash used in financing activities	-40,701	-46,979	-2,602	-3,002
Increase in cash and cash equivalents	14,507	18,795	927	1,202
Effect of exchange rate fluctuations	-69	-68	-5	-5
Net increase in cash and cash equivalents	14,438	18,727	922	1,197
Cash and cash equivalents at beginning of period	22,023	3,296	1,408	211
Cash and cash equivalents at end of period	36,461	22,023	2,330	1,408
Net increase in cash and cash equivalents	14,438	18,727	922	1,197

STATEMENT OF CHANGES IN EQUITY

(In thousands of EEK)	Share capital	Compulsory capital reserve	Other reserves	Retained earnings	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
Profit for the period					54,770	54,770
31 December 2003	80,000	8,000	44,070	179,262	54,770	366,102
1 January 2004	80,000	8,000	44,070	234,032	0	366,102
Dividends paid				-40,000		-40,000
Profit for the period					50,038	50,038
31 December 2004	80,000	8,000	44,070	194,032	50,038	376,140

(In thousands of €)	Share capital	Compulsory capital reserve	Other reserves	Retained earnings	Profit for the period	Total equity
1 January 2003	5,113	511	2,817	14,013	0	22,454
Dividends paid				-2,556		-2,556
Profit for the period					3,500	3,500
31 December 2003	5,113	511	2,817	11,457	3,500	23,398
1 January 2004	5,113	511	2,817	14,957	0	23,398
Dividends paid				-2,556		-2,556
Profit for the period					3,198	3,198
31 December 2004	5,113	511	2,817	12,401	3,198	24,040

Notes to the financial statements

Note 1. Significant accounting policies

The year 2004 Q4 interim financial statements 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		€	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Due from customers	43,479	35,807	2,778	2,288
Write-off of irrecoverable receivables	-177	-538	-11	-34
Collection of previously expensed items	17	39	1	2
Total	43,319	35,308	2,768	2,256

The ratio of irrecoverable receivables written off in 2004 to sales revenue is 0.03%. Write-offs of receivables are recognised as other operating expenses.

Note 3. Other receivables and prepayments

(In thousands)	EEK		€	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Receivables from group companies (Note 13)	2,108	271	135	17
Miscellaneous short-term receivables	1,658	504	106	32
Prepaid VAT	199	669	13	43
Prepaid expenses	1,401	2,438	89	156
Bonds issued by AS Rocca al Mare Suurhall	1,400	1,400	89	89
Total	6,766	5,282	432	337

Note 4. Inventories

(In thousands)	EEK		€	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Materials	22,789	26,230	1,456	1,676
Work in progress	7,341	4,363	469	279
Finished goods	11,328	8,201	724	524
Merchandise purchased for resale	45,929	47,984	2,935	3,067
Prepayments to suppliers	169		11	
Returnable containers in the possession of customers	22,118	26,874	1,414	1,718
Total	109,674	113,652	7,009	7,264

In 2004 inventory write-offs and write-downs totalled EEK 4,041,000 (€258,000), breaking down as follows:

- materials – EEK 1,054,000 (€67,000);
- finished goods – EEK 1,334,000 (€85,000);
- merchandise purchased for resale (containers) – EEK 1,653,000 (€106,000).

At 31 December 2004 inventories stated at net realisable value totalled EEK 7,252,000 (€464,000). At the end of 2004, inventories were 3.5% down on a year ago.

Returnable containers in the possession of customers comprise the estimated cost of returnable glass bottles, plastic crates and trays that are in circulation and which Saku Õlletehase AS has to repurchase due to the nature of its business. The related repurchase obligation is disclosed in Note 10.

Note 5. Financial instruments

LONG-TERM FINANCIAL INVESTMENTS					
(In thousands)	Number of instruments 31.12.2004	Balance EEK (€) 31.12.2003	Redemption / Change in value EEK (€) 2004	Balance EEK (€) 31.12.2004	Interest %
AS Rocca al Mare Suurhall	22 registered B shares	3,060 (196)	-240 (-15)	2,820 (181)	0.006
AS Rocca al Mare Suurhall	96 registered bonds of one type	11,000 (703)	-1,400 (-89)	9,600 (614)	
Long-term receivables		45 (3)	-36 (-2)	9 (1)	
Total		14,105 (902)	-1,676 (-106)	12,429 (796)	
Current investments		1,400 (89)		1,400 (89)	
Non-current investments		12,705 (813)		11,029 (707)	

Saku Õlletehase AS has 22 B shares in and 96 bonds issued by AS Rocca al Mare Suurhall. The shares and the bonds are part of a 10-year co-operation agreement (expiring in October 2011) according to which the recreational complex bears the

name Saku Suurhall and grants Saku Õlletehase AS a number of 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 dispose of 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 a cooperation agreement and do not have an active aftermarket. Therefore, they are amortised at the rate of EEK 240,000 per year (€15,000) to reflect the decrease in the carrying amount of the benefits provided by the cooperation agreement that occurs over time. Amortisation expenses are recognised as financial expenses.

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 fixed purpose and bear an interest of 5% of the outstanding balance per year. The bonds are to be redeemed over the term of the cooperation agreement. Interest income on bonds is recognised as financial income.

Long-term receivables of EEK 9,000 (€1,000) comprise receivables from a company for sale of assets under an instalment plan. The amount should be fully settled in 2006.

INCOME-EARNING FINANCIAL ASSETS

(In thousands of EEK)

	31.12.2004					31.12.2003				
	Effective interest rate	Maturing within				Effective interest rate	Maturing within			
		Up to one year	Between 1 and 5 years	Over 5 years	Total		Up to one year	Between 1 and 5 years	Over 5 years	Total
Financial assets AS Rocca al Mare Suurhall bonds	5.00	1,400	5,600	2,600	9,600	5.00	1,400	5,600	4,000	11,000

(In thousands of €)

	31.12.2004					31.12.2003				
	Effective interest rate	Maturing within				Effective interest rate	Maturing within			
		Up to one year	Between 1 and 5 years	Over 5 years	Total		Up to one year	Between 1 and 5 years	Over 5 years	Total
Financial assets AS Rocca al Mare Suurhall bonds	5.0	89	358	167	614	5.0	89	358	256	703

Financial risks

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

Credit risk

The company has a credit policy in place and the 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, considering conditions prevailing in the case.

At the balance sheet date, the most significant concentration of credit risk was related to the shares in and bonds issued by AS Rocca al Mare Suurhall. To reduce the credit risk, all agreements relating to the investment include a clause, which states that if ownership of the recreational complex changes, agreements will transfer to the new owner under the same terms and conditions.

Interest rate risk

As a rule, the activities of Saku Õlletehase AS 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) has been used for the purchase of motor vehicles. As a rule, the base currency of lease agreements is the Estonian kroon or euro and interest rates are fixed for the whole lease term.

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

Foreign currency risk

Nearly all purchase and sales transactions are performed in Estonian kroons, euro or currencies pegged to the latter. Therefore the currency risk is not significant.

Fair values

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

Note 6. Property, plant and equipment

Movements in property, plant and equipment in 2004

(In thousands of EEK)	Land	Buildings and constructions	Plant and equipment	Motor vehicles	IT equipment	Other equipment and fixtures	Kegs	Leased assets (Note 8)	Assets held under finance lease (Note 8)	Prepayments and investments in progress	Total
Cost											
Opening balance	3,186	128,258	254,989	7,559	3,915	62,217	6,058	4,065	4,269	22,316	496,832
Acquisitions		2,251	24,737	533	460	4,470		3,206		2,890	38,547
Reclassification		4,824	17,492							-22,316	0
Sale		-26		-1,935	-37	-7					-2,005
Write-off, termination of lease			-5,705		-12	-3,392			-3,043		-12,152
Closing balance	3,186	135,307	291,513	6,157	4,326	63,288	6,058	7,271	1,226	2,890	521,222
Depreciation											
Opening balance		31,851	158,723	5,790	2,886	43,670	3,331	1,628	3,110		250,989
Depreciation charge for 2004		5,793	23,373	1,082	841	10,493	605	1,706	655		44,548
Sale		-10		-1,935	-37	-1					-1,983
Write-off, termination of lease			-5,576		-12	-3,392			-2,647		-11,627
Closing balance		37,634	176,520	4,937	3,678	50,770	3,936	3,334	1,118		281,927
Carrying amount											
Opening balance	3,186	96,407	96,266	1,769	1,029	18,547	2,727	2,437	1,159	22,316	245,843
Closing balance	3,186	97,673	114,993	1,220	648	12,518	2,122	3,937	108	2,890	239,295

(In thousands of €)	Land	Buildings and constructions	Plant and equipment	Motor vehicles	IT equipment	Other equipment and fixtures	Kegs	Leased assets (Note 8)	Assets held under finance lease (Note 8)	Prepayments and investments in progress	Total
Cost											
Opening balance	204	8,196	16,298	483	250	3,977	387	260	273	1,426	31,754
Acquisitions		144	1,581	34	29	286		205		185	2,464
Reclassification		308	1,118							-1,426	0
Sale		-2		-124	-2	-1					-129
Write-off, termination of lease			-365		-1	-217			-194		-777
Closing balance	204	8,646	18,632	393	276	4,045	387	465	79	185	33,312
Depreciation											
Opening balance		2,036	10,144	372	185	2,790	212	104	199		16,042
Depreciation charge for 2004		370	1,494	69	53	671	39	109	42		2,847
Sale		-1		-124	-2						-127
Write-off, termination of lease			-356		-1	-217			-169		-743
Closing balance		2,405	11,282	317	235	3,244	251	213	72		18,019
Carrying amount											
Opening balance	204	6,160	6,154	111	65	1,187	175	156	74	1,426	15,712
Closing balance	204	6,241	7,350	76	41	801	136	252	7	185	15,293

Leased assets comprise bar furniture, which has been leased under the terms of operating lease to support HoReCa sales. At 31 December 2004, its carrying amount was EEK 3,937,000 (€252,000). Information on operating lease income can be found in Note 8. In addition to leased assets, we have placed at the disposal of customers assets that support sales. At the year-end the carrying amount of such assets was EEK 16,626,000 (€1,062,000). At 31 December 2004, the carrying amount of kegs in the possession of customers was EEK 1,029,000 (€66,000) (kegs are recognised as items of property, plant and equipment).

Based on an assessment of the values and remaining useful lives of property, plant and equipment performed as of 31 December 2004, the management board decided to reduce the useful lives of six items belonging to the group of plant and equipment. As a result, depreciation charges for 2004 increased by EEK 633,000 (€40,000).

In 2004 property, plant and equipment of EEK 129,000 (€8,000) (total carrying amount) was written off. Related expenditure was recognised as other expense.

Note 7. Intangible assets

Movements in intangible assets in 2004

(In thousands)

	EEK 31.12.2004	€ 31.12.2004
Cost		
Opening balance	1,759	112
Acquisition	354	23
Closing balance	2,113	135
Amortisation		
Opening balance	1,040	66
Amortisation charge for 2004	477	31
Closing balance	1,517	97
Carrying amount		
Opening balance	719	46
Closing balance	596	38

Intangible assets comprise computer software that has long-term significance for business and has been specially adjusted to our needs. Amortisation expense is recognised in the income statement together with depreciation expense.

Note 8. Finance and operating lease

Saku Õlletehase AS as a lessor

Operating lease

To support HoReCa sales, Saku Õlletehase AS leases bar furniture under the terms of operating lease. Further information on this can be found in the "Leased assets" column of Note 6. The period's operating lease income on leased assets amounted to

EEK 82,000 (€5,000) and was recognised as sales revenue. The lease income of subsequent periods breaks down as follows:

- receivable within up to 1 year – EEK 83,000 (€5,000);
- receivable between 1 and 4 years – EEK 194,000 (€12,000).

Saku Õlletehase AS as a lessee

Finance lease

Certain motor vehicles are held under finance lease. Information on their total cost, accumulated depreciation and carrying amount can be found in the “Assets held under finance lease” column of Note 6.

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 our dividend or financing policies. At the end of the lease term we can buy the leased assets at their carrying amounts based on the lease agreements. Assets held under finance lease have not been sublet.

FINANCE LEASE OF MOTOR VEHICLES

(In thousands)

	EEK		€	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Principal paid during the period	701	1,158	45	74
Interest payments made during the period	121	296	8	19
Minimum amount of lease payments	140	1,326	9	85
falling due within 1 year	140	907	9	58
falling due between 1 and 4 years		419		27
... incl. principal	127	1,128	8	72
falling due within 1 year	127	757	8	48
falling due between 1 and 4 years		371		24

In 2004 the cost and accumulated depreciation of leased motor vehicles decreased on account of termination of agreements by EEK 3,043,000 (€194,000) and EEK 2,647,000 (€169,000) respectively. The depreciation charge for 2004 amounted to EEK 655,000 (€42,000) and was recognised as depreciation and amortisation expense.

Operating lease

During the financial year we made and expensed operating lease payments of EEK 2,816,000 (€180,000) in respect of motor vehicles and operating lease payments of EEK 654,000 (€42,000) in respect of production plant and equipment (there were 47 agreements on the lease of vehicles and 2 on the lease of production plant and equipment). Payments made for additional warehouse space totalled EEK 953,000 (€61,000).

OPERATING LEASE

(In thousands)

	EEK		€	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Lease payments made during the period	4,423	3,169	283	202
Incl. contingent lease payments for plant and equipment	468	499	30	32
Minimum amount of lease payments	4,524	4,732	289	302
Incl. payable within up to 1 year	2,380	2,193	152	140
payable between 1 and 5 years	2,144	2,539	137	162

The base currency of all agreements on the lease of motor vehicles is the Estonian kroon and the one for agreements on the lease of production plant and equipment is euro. The agreements do not impose restrictions on our dividend or financing policies. Leased assets have not been sublet. One agreement sets out a contingent payment which depends on how intensively the asset is used

Note 9. Tax liabilities

(In thousands)

	EEK		€	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Alcohol excise duty	15,644	12,058	1,000	771
Value-added tax	7,493	3,327	479	212
Social tax	72	118	4	8
Income tax on fringe benefits, non-business and entertainment expenses	105	306	7	19
Total	23,314	15,809	1,490	1,010

Note 10. Provisions

(In thousands)

	EEK		€	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Obligation to repurchase returnable containers				
- glass bottles, plastic crates and trays	22,118	26,874	1,414	1,717
- kegs	2,518	2,335	161	150
Consumer campaign prizes		373		24
Total	24,636	29,582	1,575	1,891

The provision for the obligation to repurchase reusable containers has been calculated for covering expenses that could arise on the repurchase of returnable containers circulating in the market as at 31 December 2004. The provision for the obligation to repurchase glass bottles, plastic crates and trays and the corresponding inventory account are adjusted at each balance sheet date using the quantities found on the basis of their estimated turnover ratios and repurchase prices. The provision for the obligation to repurchase kegs is adjusted on the release and collection of each keg on the basis of its deposit charge.

The obligation to repurchase returnable containers is a short-term obligation because the estimated circulation period of a container does not exceed one year.

Note 11. Equity

The share capital of Saku Õlletehase AS 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 shareholders approved the proposal of the management board to declare for 2003 a net dividend of EEK 40m (€2.6m). The dividend was paid out on 10 May 2004.

Compulsory capital reserve of EEK 8m (€511) has been established in accordance with the requirements of the Commercial Code. The capital reserve is established with annual net profit transfers. Every year, companies have to transfer to capital reserve at least 1/20 of their net profit until the reserve amounts to 1/10 of share capital. Capital reserve may be used to cover losses and to increase share capital. It cannot be used to make distributions to shareholders.

Other reserves of EEK 44,070,000 (€2,817,000) originate from the translation of foreign currency bank accounts and receivables performed in 1992 using the Bank of Estonia exchange rates as of 1 January 1992. Management has not determined the use of other reserves.

Note 12. Sales revenue

SALES OF PRODUCTS AND SERVICES

(In thousands)

	EEK		€	
	2004	2003	2004	2003
Beer	427,417	387,286	27,318	24,752
Other alcoholic beverages	54,504	31,395	3,483	2,007
Mineral water	23,007	23,260	1,470	1,487
Soft drinks	21,615	17,375	1,381	1,110
By-products	1,234	966	79	62
Services	1,270	1,117	81	71
Other goods	1,818	1,963	116	126
Total	530,865	463,362	33,928	29,614

SALES BY MARKETS

(In thousands)

	EEK		€	
	2004	2003	2003	2003
Estonia	469,262	419,974	29,991	26,841
Lithuania, Latvia, Finland, Ukraine, Denmark	61,603	43,388	3,937	2,773
Total	530,865	463,362	33,928	29,614

Note 13. Related party transactions

Related party transactions include transactions with the group companies of the direct parent Baltic Beverage Holding AS (BBH) and those of the owners of the latter, Carlsberg A/S and Scottish & Newcastle plc. Sales revenue comprises income from the sales of finished goods, rendering of filling services, and letting of premises. Purchases include purchases of merchandise, containers, and management and consulting services. Purchase and sales transactions with related parties have been performed at the Group's transfer prices.

Purchases by Saku Õlletehase AS

(In thousands)	EEK		€	
	2004	2003	2004	2003
A/O Aldaris	18,918	23,777	1,209	1,520
AB Svyturys-Utenos Alus	16,055	5,365	1,026	343
Baltic Beverages Holding AB	3,494	4,272	223	273
UAB BBH Baltic	2,816		180	
Hartwall AB OY	3,114		199	
Baltic Beverages Holding OÜ	18		1	
Ringnes a.s.	311		20	
Sinebrychoff OY	317		20	
OAO PBK Slavutich	6			
OAO PBK Baltika	527		34	
Carlsberg Breweries AS	1,174	128	75	8
Total	46,750	33,542	2,987	2,144

Sales by Saku Õlletehase AS

(In thousands)	EEK		€	
	2004	2003	2004	2003
A/O Aldaris	15,347	2,948	981	188
AB Svyturys-Utenos Alus	24,439	17,390	1,562	1,112
OAO PBK Slavutich		15,697		1,003
Sinebrychoff OY	11,857		758	
Carlsberg Breweries A/S	636		41	
Baltic Beverages Holding OÜ	77	109	5	7
Total	52,356	36,144	3,347	2,310

Receivables from related parties

(In thousands)	EEK		€	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
A/O Aldaris	754	155	48	10
AB Svyturys-Utenos Alus	157	106	10	6
Sinebrychoff OY	667		43	
Carlsberg Breweries A/S	61		4	
Baltic Beverages Holding OÜ		10		1
UAB BBH Baltic	469		30	
Total	2,108	271	135	17

Liabilities to related parties

(In thousands)	EEK		€	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
A/O Aldaris	125	2,106	8	134
AB Svyturys-Utenos Alus	325	2,077	21	133
OA0 PBK Slavutich		31		2
Hartwall AB OY		91		6
Carlsberg Breweries A/S	21		1	
Baltic Beverages Holding AB		295		19
Total	471	4,600	30	294

In the balance sheet, royalty liabilities to Carlsberg Breweries A/S which at 31 December 2004 amounted to EEK 522,000 (€33,000) have been recognised as accrued expenses.

In 2004 we took short-term loans from A/O Aldaris and AB Svyturys-Utenos Alus of EEK 53,193,000 (€3,400,000) and EEK 7,823,000 (€500,000) respectively and paid the creditors loan interest of EEK 397,000 (€25,000) and EEK 13,000 (€1,000) respectively. The loans were repaid in 2004.

Payments to management and supervisory board members

In 2004 payments to management and supervisory board members totalled EEK 5,462,000 (€349,000). The total contingent severance liability to members of the top management, including taxes, amounts to EEK 1.44 million (€0.1 million).

At 31 December 2004 only one supervisory board member Jaak Leimann had shares in the company (46 shares, i.e. 0.0006% of share capital). Other supervisory and management board members did not own shares of Saku Õlletehase AS.

Note 14. Other revenue

(In thousands)	EEK		€	
	2004	2003	2004	2003
Gain on sale of non-current assets	535	228	35	14
Income related to receivables	62	16	4	1
Interest on arrears received	46	8	3	1
Insurance indemnification received	42	225	3	14
Foreign exchange gain	20	259	1	17
Total	705	736	46	47

Note 15. Expenses

(In thousands)	EEK		€	
	2004	2003	2004	2003
Materials	72,871	54,514	4,657	3,484
Ancillary materials	99,843	71,106	6,381	4,544
Imported beverages	34,613	27,816	2,212	1,778
Other	33,978	31,668	2,172	2,024
Total materials, consumables and services used	241,305	185,104	15,422	11,830
Advertising expenses	44,451	41,420	2,841	2,647
Transportation and vehicle expenses	38,898	34,522	2,486	2,206
Sewerage expenses	5,521	5,727	353	366
Renovation of buildings and equipment repair	4,616	3,750	295	240
Purchase of other services	23,699	15,205	1,515	972
Other expenses	8,107	11,534	518	737
Total other operating expenses	125,292	112,158	8,008	7,168
Wages and salaries	43,365	38,776	2,772	2,478
Social security charges	14,521	13,142	928	840
Unemployment insurance contributions	195	173	12	11
Total personnel expenses	58,081	52,091	3,712	3,329
Losses from non-current asset sales and write-off	144	1,592	9	102
Sponsoring, entertainment expenses and expenses not related to the core production	2,634	2,301	168	147
Interest on arrears paid	14	23	1	1
Purchase and sale of returnable containers	916	498	59	32
Foreign exchange loss	207	274	13	18
Total other expenses	3,915	4,688	250	300

Note 16. Financial income and expenses

(In thousands)	EEK		€	
	2004	2003	2004	2003
Interest income	875	355	56	23
Total financial income	875	355	56	23
Interest expense	531	982	34	63
Foreign exchange loss	69	68	5	4
Financial expenses related to securities	240	241	15	16
Total financial expenses	840	1,291	54	83
Financial income and expenses	35	-936	2	-60

Note 17. Earnings per share

	EEK		€	
	2004	2003	2004	2003
Net profit for the period(in thousands)	50,038	54,770	3,198	3,500
Number of shares	8,000,000	8,000,000	8,000,000	8,000,000
Basic earnings per share	6.25	6.85	0.40	0.44
Diluted earnings per share	6.25	6.85	0.40	0.44

Basic earnings per share are found by dividing net profit for the period by the period's average number of shares issued. Diluted earnings per share of Saku Õlletehase AS equal basic earnings per share.

Note 18. Income tax expense

(In thousands)	EEK		€	
	2004	2003	2004	2003
Dividends paid	40,000	40,000	2,556	2,556
Income tax rate applied	35.1%	19.2%	35.1%	19.2%
Income tax expense	14,054	7,682	898	491

In accordance with the effective Income Tax Act, in 2003 and 2004 the income tax rate for dividends was 26/74 (35.1%) of the amount distributed as the net dividend. Income tax payable on dividends may be reduced by the income tax paid on undistributed profits in 1994-1999. The option was used on the taxation of dividends paid in 2003. By 2004 the profits earned in 1994-1999 had been distributed and the dividends paid in 2004 were taxed at the maximum rate.

Note 19. Contingent liabilities

The alcohol excise duty liability to the Customs Board is secured with a bank guarantee as required by the law. The guarantee amounts to EEK 2,600,000 (€166,000) and is valid from 15 November 2004 to 14 February 2006.

Note 20. Non-cash transactions

A significant non-cash transaction was the offsetting of the income receivable on AS Rocca al Mare Suurhall bonds belonging to Saku Õlletehase AS against Saku Brewery's liability to AS Rocca al Mare Suurhall. The liability is related to advertising services rendered under a cooperation agreement. In 2004 the amount that was offset was EEK 1,914,000 (€123,000).

2. Review of operations and performance

In Q4 2004 beverage sales by Saku Õlletehase AS totalled 15.5 litres, 3.3m litres or 27% up on the same period in 2003. Revenues amounted to EEK 115.0m (€7.4m), an EEK 21.3m (€1.4m) or 22.7% increase on a year ago. The growth in sales resulted largely from enhanced sales of beer and other alcoholic beverages.

According to Estonian Breweries Association, at the end of Q4 the accumulated market share of Saku Õlletehase AS was 41.6%. The Estonian beer market grew 16% compared to the same period in 2003. The main growth driver was beer in PET whose market share increased significantly. Growth was also facilitated by an increase in purchases by Finnish tourists after Estonia's accession to the EU.

Saku Õlletehase AS' Q4 market share was 42.2% against 41.4% in 2003. Market share improved primarily on account of shrinkage in the share of imports (2004: 4.3%; 2003: 7.5%), and expansion in the premium segment prompted by successful sales of beer brands Carlsberg and Saku Valge.

Expenses totalled EEK 109.6m (€7.0m), EEK 17.3m (€1.1m) or 18.8% up on Q4 2003. The largest growth occurred in the cost of materials, consumables and supplies, mostly due to an increase in sales of products in one-way packaging. In addition, the growth in operating volumes triggered an increase in transport expenses.

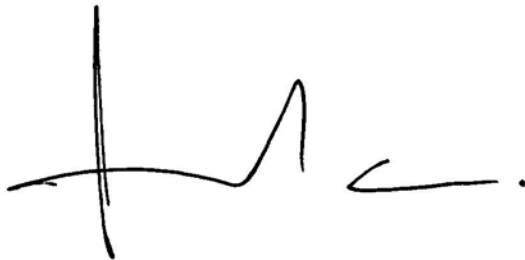
Saku Õlletehase AS ended Q4 with operating profit of EEK 5.4m (€0.3m), an EEK 4.0m (€257,000) improvement on a year ago. Net profit for the period amounted to EEK 5.6m (€0.4m) against the EEK 1.5m (€0.1m) earned in Q4 2003.

FINANCIAL RATIOS	January - December 2004	January - December 2003
Operating margin (operating profit / total revenue)	12.1%	13.7%
Net margin (net profit / total revenue)	9.4%	11.8%
Return on assets (net profit / average total assets)	11.3%	12.6%
Return on equity (net profit / average equity)	13.5%	15.3%
Fixed asset turnover ratio (total revenue / average fixed assets)	2.1	1.7
Total assets turnover ratio (total revenue / average total assets)	1.2	1.1

3. Statement of management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the interim financial statements of Saku Õllethase AS for the fourth quarter of 2004 as set out on pages 1 to 22 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.



Jaak Uus
Chairman of Management Board



Marko Loos
Member of Management Board



Tarmo Lehtmets
Member of Management Board