

SAKU ÕLLETEHASE AS
INTERIM FINANCIAL STATEMENTS
Q1, 2005

Core activities	production, wholesale, import and export of low-alcohol beverages, mineral water and soft drinks
Beginning of financial year	1 January 2005
End of financial year	31 December 2005
Auditor	Andris Jegers KPMG Estonia
Status of the interim financial statements	unaudited
Registration number	10030278
Address	Saku alevik, Saku vald, Harjumaa 75501
Telephone	650 8400
Fax	650 8401
Email	saku@pruul.ee
Website	www.saku.ee

The activities of Saku Õlletehase AS are managed by a three-member management board. The chairman of the management board is Jaak Uus.

SAKU ÕLLETEHASE AS
INTERIM FINANCIAL STATEMENTS
Q1, 2005

Contents

1. Financial statements	3
Balance sheet	3
Income statement	4
Cash flow statement, indirect method	5
Statement of changes in equity	6
Notes to the financial statements	6
Note 1. Accounting policies	7
Note 2. Trade receivables	7
Note 3. Other receivables and prepayments	7
Note 4. Inventories	7
Note 5. Financial instruments	8
Note 6. Property, plant and equipment	11
Note 7. Intangible assets	12
Note 8. Finance and operating lease	12
Note 9. Tax liabilities	14
Note 10. Short-term provisions	14
Note 11. Equity	14
Note 12. Sales revenue	15
Note 13. Transactions with related parties	15
Note 14. Other revenue	17
Note 15. Expenses	17
Note 16. Financial income and expenses	18
Note 17. Earnings per share	18
Note 18. Contingent liabilities	18
Note 19. Non-cash transactions	19
2. Review of operations and performance	20
3. Statement of management responsibility	22

1. Financial statements

BALANCE SHEET

(In thousands)

	EEK			€		
	31.3.2005	31.3.2004	31.12.2004	31.3.2005	31.3.2004	31.12.2004
ASSETS						
Cash and bank	33,651	13,689	36,461	2,150	875	2,330
Trade receivables (Note 2)	46,557	33,429	43,319	2,976	2,136	2,768
Other receivables and prepayments (Note 3)	8,136	5,137	6,766	520	328	432
Inventories (Note 4)	122,312	120,790	109,674	7,816	7,719	7,009
TOTAL CURRENT ASSETS	210,656	173,045	196,220	13,462	11,058	12,539
Non-current assets						
Long-term financial investments (Note 5)	10,720	12,396	11,029	687	793	707
Property, plant and equipment (Note 6)	238,371	246,831	239,295	15,234	15,776	15,293
Intangible assets (Note 7)	562	585	596	36	37	38
TOTAL NON-CURRENT ASSETS	249,653	259,812	250,920	15,957	16,606	16,038
TOTAL ASSETS	460,309	432,857	447,140	29,419	27,664	28,577
LIABILITIES AND EQUITY						
Current liabilities						
Debt obligations (Note 8)	70	712	140	4	46	9
Trade payables	19,100	17,699	16,266	1,221	1,131	1,039
Other payables (Note 13)	1,266	980	471	81	63	30
Tax liabilities (Note 9)	30,518	15,559	23,314	1,950	994	1,490
Payables to employees	2,396	2,460	3,095	153	157	198
Other accrued expenses	5,908	5,641	3,078	378	361	196
Short-term provisions (Note 10)	20,543	22,862	24,636	1,313	1,461	1,575
TOTAL CURRENT LIABILITIES	79,801	65,913	71,000	5,100	4,213	4,537
Non-current liabilities						
Finance lease liabilities (Note 8)		258			16	
TOTAL NON-CURRENT LIABILITIES		258			16	
Equity (Note 11)						
Share capital	80,000	80,000	80,000	5,113	5,113	5,113
Statutory 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	244,070	234,032	194,032	15,599	14,957	12,401
Net profit for the period	4,368	584	50,038	279	37	3,198
TOTAL EQUITY	380,508	366,686	376,140	24,319	23,435	24,040
TOTAL LIABILITIES AND EQUITY	460,309	432,857	447,140	29,419	27,664	28,577

INCOME STATEMENT

(In thousands)

	EEK			€		
	January- March 2005	January- March 2004	2004	January- March 2005	January- March 2004	2004
Revenue						
Sales revenue (Note 12)	109,500	84,358	530,865	6,998	5,391	33,928
Other revenue (Note 14)	19	82	705	1	5	46
Total revenue	109,519	84,440	531,570	6,999	5,396	33,974
Expenses						
Changes in work in progress and finished goods inventories	-4,765	-6,820	-6,105	-305	-436	-390
Materials, consumables and supplies used (Note 15)	51,171	41,014	241,305	3,271	2,621	15,422
Other operating expenses (Note 15)	28,096	24,946	125,292	1,796	1,594	8,008
Personnel expenses (Note 15)	18,476	13,162	58,081	1,181	841	3,712
Depreciation and amortization expense (Notes 6, 7)	11,910	10,936	45,025	761	699	2,878
Other expenses (Note 15)	507	720	3,915	32	46	250
Total expenses	105,395	83,958	467,513	6,736	5,365	29,880
PROFIT FROM OPERATIONS	4,124	482	64,057	263	31	4,094
Financial income and expenses (Note 16)	244	102	35	16	6	2
PROFIT FOR THE PERIOD BEFORE TAX	4,368	584	64,092	279	37	4,096
Income tax expense			14,054			898
NET PROFIT FOR THE PERIOD	4,368	584	50,038	279	37	3,198
Basic earnings per share (Note 17)	0.55	0.07	6.25	0.03	0.00	0.40
Diluted earnings per share (Note 17)	0.55	0.07	6.25	0.03	0.00	0.40

CASH FLOW STATEMENT, INDIRECT METHOD

(In thousands)

	EEK			€		
	January- March 2005	January- March 2004	2004	January- March 2005	January- March 2004	2004
Operating activities						
Profit from operations	4,124	482	64,057	263	31	4,094
Adjustments for						
Depreciation and amortization (Notes 6, 7)	11,910	10,936	45,025	761	699	2,878
Result of non-current asset sales and write-off	-6	108	-391	-1	7	-25
Transformation of a long-term receivable into a short-term one	9	9	36	1	1	2
Non-cash expenses (Note 19)	418	300	1,914	27	19	123
Change in inventories	-12,638	-7,138	3,978	-807	-456	255
Change in receivables	-4,608	2,024	-9,495	-296	129	-607
Change in current liabilities	8,871	-2,903	2,756	568	-186	175
Interest paid	-67	-105	-531	-4	-7	-34
Corporate income tax paid			-14,054			-898
Net cash from operating activities	8,013	3,713	93,295	512	237	5,963
Investing activities						
Acquisition of non-current assets (Notes 6, 7)	-10,959	-11,890	-38,901	-701	-760	-2,487
Sales of non-current assets	12		453	1		29
Interest received	193	72	361	12	5	24
Net cash used in investing activities	-10,754	-11,818	-38,087	-688	-755	-2,434
Financing activities						
Dividends paid (Note 11)			-40,000			-2,557
Payment of finance lease principal (Note 8)	-69	-229	-701	-4	-15	-45
Loans received from group companies			61,016			3,900
Repayment of loans			-61,016			-3,900
Net cash used in financing activities	-69	-229	-40,701	-4	-15	-2,602
Net cash flows	-2,810	-8,334	14,507	-180	-533	927
Effect of exchange rate fluctuations			-69			-5
Increase/decrease in cash and cash equivalents		-8,334	14,438	-180	-533	922
Cash and cash equivalents at beginning of period	36,461	22,023	22,023	2,330	1,408	1,408
Cash and cash equivalents at end of period	33,651	13,689	36,461	2,150	875	2,330
Increase/decrease in cash and cash equivalents	-2,810	-8,334	14,438	-180	-533	922

STATEMENT OF CHANGES IN EQUITY

(In thousands of EEK)	Share capital	Statutory capital reserve	Other reserves	Accumulated profits	Net profit for the period	Total equity
1 January 2004	80,000	8,000	44,070	234,032		366,102
Net profit for the period					584	584
31 March 2004	80,000	8,000	44,070	234,032	584	366,686
1 January 2005	80,000	8,000	44,070	244,070		376,140
Net profit for the period					4,368	4,368
31 March 2005	80,000	8,000	44,070	244,070	4,368	380,508

(In thousands of €)	Share capital	Statutory capital reserve	Other reserves	Accumulated profits	Net profit for the period	Total equity
1 January 2004	5,113	511	2,817	14,957	0	23,398
Net profit for the period					37	37
31 March 2004	5,113	511	2,817	14,957	37	23,435
1 January 2005	5,113	511	2,817	15,599		24,040
Net profit for the period					279	279
31 March 2005	5,113	511	2,817	15,599	279	24,319

Notes to the interim financial statements

Note 1. Accounting policies

The interim financial statements for the first quarter of 2005 have been prepared in accordance with the same accounting policies that were applied on the preparation of the annual financial statements for 2004. The company's interim 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		€	
	31.3.2005	31.3.2004	31.3.2005	31.3.2004
Due from customers	46,621	33,456	2,980	2,138
Allowance for doubtful receivables	-75	-75	-5	-5
Write-off of irrecoverable items	11	48	1	3
Total	46,557	33,429	2,976	2,136

The ratio of irrecoverable receivables written off in Q1, 2005 to sales revenue is 0.01%. Expenditure related to write-off of receivables is recognized in *Other operating expenses*.

Note 3. Other receivables and prepayments

(In thousands)	EEK		€	
	31.3.2005	31.3.2004	31.3.2005	31.3.2004
Receivables from other group companies (Note 13)	2,808	754	180	48
Miscellaneous short-term receivables	786	649	50	42
Prepaid VAT	197	1,085	13	69
Prepaid expenses	2,945	1,249	188	80
AS Rocca al Mare Suurhall bonds (Note 5)	1,400	1,400	89	89
Total	8,136	5,137	520	328

Note 4. Inventories

(In thousands)	EEK		€	
	31.3.2005	31.3.2004	31.3.2005	31.3.2004
Materials	28,099	25,177	1,795	1,609
Work in progress	8,251	8,445	527	540
Finished goods	15,183	10,939	971	699
Merchandise purchased for resale	51,594	54,677	3,297	3,494
Prepayments to suppliers	1,186	797	76	51
Returnable containers in the possession of customers	17,999	20,755	1,150	1,326
Total	122,312	120,790	7,816	7,719

Inventories written down and off in the first three months of 2005 totalled EEK 866,000 (€55,000), breaking down as follows:

- materials – EEK 207,000 (€13,000);
- finished goods – EEK 423,000 (€27,000);
- merchandise purchased for resale (containers) – EEK 236,000 (€15,000).

At 31 March 2005, inventories of EEK 7,639,000 (€488,000) were stated at net realizable value.

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

Note 5. Financial instruments

SHORT- AND LONG-TERM FINANCIAL INVESTMENTS

(In thousands)

	Number of instruments 31.3.2005	Balance EEK (€) 31.12.2004	Redemption / change in value EEK (€) 2005	Balance EEK (€) 31.3.2005	Interest %
AS Rocca al Mare Suurhall	22 registered B shares	2,820 (181)		2,820 (181)	0,006
AS Rocca al Mare Suurhall	93 registered bonds of one type	9,600 (614)	-300 (-19)	9,300 (595)	
Long-term receivables		9 (1)	-9 (-1)		
Total		12,429 (796)	-309 (-20)	12,120 (776)	
Incl. current portion		1,400 (89)		1,400 (89)	
Incl. non-current portion		11,029 (707)		10,720 (687)	

The company has 22 B shares and 93 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 a recreational complex bears the name Saku Suurhall and grants the company 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, the shares are amortized at the rate of 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 bear an annual interest of 5% of the outstanding balance. The bonds are to be redeemed over the term of the cooperation agreement. Interest income on the bonds is recognized in financial income.

INCOME-EARNING FINANCIAL ASSETS

(In thousands EEK)

	31.3.2005					31.3.2004				
	Effective interest rate	Maturing within				Effective interest rate	Maturing 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	2,300	9,300	5.00	1,400	5,600	3,700	10,700

(In thousands €)

	31.3.2005					31.3.2004				
	Effective interest rate	Maturing within				Effective interest rate	Maturing 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	89	358	148	595	5.00	89	358	237	684

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 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, the company's activity is 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 the Estonian kroon or euro and interest rates are fixed for the whole lease term.

Since the share of external financing in the 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, related risks are 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 Q1, 2005

(In thousands of EEK)	Land	Buildings and constructions	Plant and equipment	Motor vehicles	IT equipment	Other equipment and fixtures	Kegs	Assets leased out (Note 8)	Assets held under finance lease (Note 8)	Prepayments and investments in progress	Total
Cost											
Opening balance	3,186	135,307	291,513	6,157	4,326	63,288	6,058	7,271	1,226	2,890	521,222
Acquisitions			193		146	1,417		1,600		7,532	10,888
Sales			-333			-7					-340
Closing balance	3,186	135,307	291,373	6,157	4,472	64,698	6,058	8,871	1,226	10,422	531,770
Depreciation											
Opening balance		37,634	176,520	4,937	3,678	50,770	3,936	3,334	1,118		281,927
Depreciation charge for 2005		1,560	6,680	215	169	2,391	151	578	61		11,805
Write-off, termination of lease			-333								-333
Closing balance		39,194	182,867	5,152	3,847	53,161	4,087	3,912	1,179		293,399
Carrying amount											
Opening balance	3,186	97,673	114,993	1,220	648	12,518	2,122	3,937	108	2,890	239,295
Closing balance	3,186	96,113	108,506	1,005	625	11,537	1,971	4,959	47	10,422	238,371

(In thousands of €)	Land	Buildings and constructions	Plant and equipment	Motor vehicles	IT equipment	Other equipment and fixtures	Kegs	Assets leased out (Note 8)	Assets held under finance lease (Note 8)	Prepayments and investments in progress	Total
Cost											
Opening balance	204	8,646	18,632	393	276	4,045	387	465	79	185	33,312
Acquisitions			12		9	91		102		481	695
Sales			-21								-21
Closing balance	204	8,646	18,623	393	285	4,136	387	567	79	666	33,986
Depreciation											
Opening balance		2,405	11,282	317	235	3,244	251	213	72		18,019
Depreciation charge for 2005		100	427	13	11	153	9	37	4		754
Sales			-21								-21
Closing balance		2,505	11,688	330	246	3,397	260	250	76		18,752
Carrying amount											
Opening balance	204	6,241	7,350	76	41	801	136	252	7	185	15,293
Closing balance	204	6,141	6,935	63	39	739	127	317	3	666	15,234

Leased out assets includes bar furniture, which has been transferred to customers under the terms of operating lease to support HoReCa sales. At 31 March 2005, the carrying amount of the furniture was EEK 4,959,000 (€317,000). Related operating lease income has been disclosed in Note 8. In addition, the company has placed at the

disposal of customers other sales support assets which customers are holding in storage with liability. At the end of the reporting period, the carrying amount of such assets was EEK 15,332,000 (€980,000). At 31 March 2005 the carrying amount of kegs in the possession of customers was EEK 1,020,000 (€65,000). The kegs are part of the company's property, plant and equipment,

Note 7. Intangible assets

Movements in intangible assets in Q1, 2005

(In thousands)

	EEK 31.3.2005	€ 31.3.2005
Cost		
Opening balance	2,113	135
Acquisitions	71	5
Closing balance	2,184	140
Amortization		
Opening balance	1,517	97
Amortization charge for 2005	105	7
Closing balance	1,622	104
Carrying amount		
Opening balance	596	38
Closing balance	562	36

Intangible assets consist of computer software that has long-term significance for the business and has been 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 Õlletehase AS has leased out bar furniture, which has been recognized in Note 6 in the column *Assets leased out*. The period's operating lease income of EEK 23,000 (€1,000) has been recognized as sales revenue. The lease income of subsequent periods breaks down as follows:

- receivable within up to 1 year – EEK 65,000 (€4,000);
- receivable between 1 and 4 years – EEK 80,000 (€5,000).

The company as a lessee

Finance lease

The company holds motor vehicles under finance lease. The cost, accumulated depreciation and carrying amount of the vehicles has been disclosed in Note 6 in the column *Assets held under finance lease*.

The base currency of the leases 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, the company may 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		€	
	31.3.2005	31.3.2004	31.3.2005	31.3.2004
Principal payments made during the period	69	229	4	15
Interest payments made during the period	7	46		3
Minimum amount of lease payments	70	970	4	62
Incl. falling due within 1 year	70	712	4	46
falling due between 1 and 4 years		258		16
... Incl. principal payments	64	824	4	53
falling due within 1 year	64	586	4	39
falling due between 1 and 4 years		228		14

The depreciation charge for the first three months of 2005 amounted to EEK 61,000 (€4,000) and has been recognized in the income statement under *Depreciation and amortization expense*.

Operating lease

During the reporting period the company made and expensed operating lease payments of EEK 643,000 (€41,000) for motor vehicles and operating lease payments of EEK 139,000 (€9,000) for production plant and equipment. The company has 45 agreements on the operating lease of vehicles and 3 on the operating lease of plant and equipment. Lease payments for additional warehouse space totalled EEK 212,000 (€14,000).

OPERATING LEASE

(In thousands)

	EEK		€	
	31.3.2005	31.3.2004	31.3.2005	31.3.2004
Lease payments made during the period	782	876	50	56
Incl. contingent lease payments for plant and equipment	36	41	2	3
Minimum amount of lease payments	4,161	7,043	266	450
Incl. payable within up to 1 year	1,976	2,477	126	158
payable between 1 and 5 years	2,185	4,566	140	292

The base currency of all operating lease agreements is euro. The agreements do not impose restrictions on the company's dividend or financing policies. Leased assets have not been sublet. One agreement sets out a contingent payment the amount of which depends on how intensively the asset (can filling line) is used.

Note 9. Tax liabilities

(In thousands)	EEK		€	
	31.3.2005	31.3.2004	31.3.2005	31.3.2004
Alcohol excise duty	19,319	11,296	1,235	722
Value-added tax	7,136	2,013	456	129
Personal income tax	929	754	59	48
Social tax	2,337	1,170	149	75
Income tax on fringe benefits, and non-business and entertainment expenses	682	239	44	15
Unemployment insurance contributions	63	46	4	3
Funded pension contributions	52	41	3	2
Total	30,518	15,559	1,950	994

Note 10. Short-term provisions

(In thousands)	EEK		€	
	31.3.2005	31.3.2004	31.3.2005	31.3.2004
Obligation to repurchase reusable containers				
- glass bottles, plastic crates and trays	17,999	20,755	1,150	1,326
- kegs	2,544	1,958	163	125
Consumer campaign prizes		149		10
Total	20,543	22,862	1,313	1,461

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 March 2005. 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 7 April 2005 the general meeting of shareholders approved the proposal of the management board to declare for 2004 a net dividend of EEK 56m (€3.6m). The dividend was paid out on 16 May 2005.

The statutory 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 may not 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		€	
	January- March 2005	January- March 2004	January- March 2005	January- March 2004
Beer	88,064	69,150	5,628	4,419
Other alcoholic beverages	11,323	6,754	724	432
Mineral water	4,482	4,254	286	272
Soft drinks	4,452	3,473	284	222
By-products	405	298	26	19
Services	338	255	22	16
Other goods	436	174	28	11
Total	109,500	84,358	6,998	5,391

SALES BY MARKETS

(In thousands)

	EEK		€	
	January- March 2005	January- March 2004	January- March 2005	January- March 2004
Estonia	96,075	75,400	6,140	4,819
Lithuania, Latvia, Finland, Ukraine, Denmark	13,425	8,958	858	572
Total	109,500	84,358	6,998	5,391

Note 13. Transactions with related parties

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 BBH Group's transfer prices.

Purchases by Saku Õlletehase AS

(In thousands)

	EEK		€	
	January- March 2005	January- March 2004	January- March 2005	January- March 2004
Parent Baltic Beverages Holding AB	875	944	56	60
Companies belonging to the same group as the parent	6,422	7,127	410	455
Corporate shareholders of the parent	196	481	13	31
Companies belonging to the same group as corporate shareholders of the parent	15	1,296	1	83
Total	7,508	9,848	438	629

Sales by Saku Õlletehase AS

(In thousands)

	EEK		€	
	January- March 2005	January- March 2004	January- March 2005	January- March 2004
Companies belonging to the same group as the parent	8,310	7,826	531	500
Corporate shareholders of the parent	182	89	12	6
Companies belonging to the same group as corporate shareholders of the parent	2,922		187	
Total	11,414	7,915	730	506

Saku Õlletehase AS' receivables from related parties

(In thousands)

	EEK		€	
	31.3.2005	31.3.2004	31.3.2005	31.3.2004
Companies belonging to the same group as the parent	1,455	665	93	43
Corporate shareholders of the parent	182	89	12	5
Companies belonging to the same group as corporate shareholders of the parent	1,171		75	
Total	2,808	754	180	48

Saku Õlletehase AS' payables to related parties

(In thousands)

	EEK		€	
	31.3.2005	31.3.2004	31.3.2005	31.3.2004
Parent Baltic Beverages Holding AB	283	381	18	24
Companies belonging to the same group as the parent	939	514	60	33
Corporate shareholders of the parent	44	85	3	6
Total	1,266	980	81	63

Royalties payable to the parent's corporate shareholder which at 31 March 2005 amounted to EEK 666,000 (€43,000) have been reported under accrued expenses.

Payments made to members of the management and the supervisory board (before taxes) totalled EEK 1,425,000 (€91,000).

Note 14. Other revenue

(In thousands)	EEK		€	
	January- March 2005	January- March 2004	January- March 2005	January- March 2004
Gains on sale of non-current assets	6			
Income on receivables	3	17		1
Interest on arrears received	6	16	1	1
Insurance indemnification received		42		3
Foreign exchange gains	4	7		
Total	19	82	1	5

Note 15. Expenses

(In thousands)	EEK		€	
	January- March 2005	January- March 2004	January- March 2005	January- March 2004
Materials	15,826	12,774	1,011	816
Ancillary materials	22,635	14,274	1,447	912
Imported beverages	3,922	7,355	251	470
Other	8,788	6,611	562	423
Total materials, consumables and supplies	51,171	41,014	3,271	2,621
Advertising	10,128	7,862	647	502
Transportation and vehicle expenses	8,551	7,269	547	465
Waste disposal	1,374	1,104	88	71
Renovation of buildings and equipment repair	898	1,149	57	73
Purchase of other services	5,507	5,519	352	352
Other expenses	1,638	2,043	105	131
Total other operating expenses	28,096	24,946	1,796	1,594
Wages and salaries	13,808	9,819	883	627
Social tax	4,617	3,299	295	211
Unemployment insurance contributions	51	44	3	3
Total personnel expenses	18,476	13,162	1,181	841
Sponsoring, entertainment expenses and expenses not related to the core activity	304	512	19	33
Interest on arrears paid	3	4		
Purchase and sale of returnable containers	175	123	11	8
Foreign exchange losses	25	81	2	5
Total other expenses	507	720	32	46

Note 16. Financial income and expenses

(In thousands)	EEK		€	
	January- March 2005	January- March 2004	January- March 2005	January- March 2004
Interest income	311	207	20	13
Total financial income	311	207	20	13
Interest expense	7	45		3
Foreign exchange losses				
Financial expenses from shares	60	60	4	4
Total financial expenses	67	105	4	7
Total financial income and expenses	244	102	16	6

Note 17. Earnings per share

	EEK		€	
	January- March 2005	January- March 2004	January- March 2005	January- March 2004
Net profit for the period(in thousands)	4,368	584	279	37
Number of shares	8,000,000	8,000,000	8,000,000	8,000,000
Basic earnings per share	0.55	0.07	0.03	0.00
Diluted earnings per share	0.55	0.07	0.03	0.00

Basic earnings per share are found by dividing net profit for the period by the period's average number of shares issued. The company's diluted earnings per share equal its basic earnings per share.

Note 18. 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.

Under an agreement made on 4 February 2005, Saku Õlletehase AS guarantees the funding of OÜ Eesti Pandipakend to the extent of EEK 20m (€1.3m). The funding of OÜ Eesti Pandipakend will be arranged in cooperation with AS Coca-Cola HBC Eesti and AS A. Le Coq Tartu Õlletehas to an extent required for launching OÜ Eesti Pandipakend in accordance with the latter's approved business plan and contracts that will be made, altogether in an amount of up to EEK 60m.

OÜ Eesti Pandipakend is a packaging recovery organization established by producers and traders on the basis of the Packing Act. Its objective is to arrange in Estonia collection and reuse of packaging that has been assigned a deposit. Under the

Packaging Act, this encompasses PET, glass, and metal can packaging of water, soft drinks, beer and low-alcohol beverages.

Note 19. Non-cash transactions

Significant non-cash transactions include offsetting of the income receivable on AS Rocca al Mare Suurhall bonds which belong to the company against Saku Õlletehase ' liabilities to AS Rocca al Mare Suurhall. The liabilities result from advertising services rendered under a cooperation agreement. In the first quarter of 2005 the offset figure amounted to EEK 418,000 (€27,000).

2. Review of operations and performance

Saku Õlletehase AS' beverage sales for the first quarter of 2005 amounted to 14.8m litres, 3.5m litres or 31% up on the same period in 2004. Revenues totalled EEK 109.5m (€7.0m), an EEK 25.1m (€1.6m) or 29.7% improvement on a year ago. The main growth drivers were beer and other alcoholic beverages.

According to the Estonian Breweries Association, in the first three months of 2005 the Estonian beer market expanded by around 15%. The accumulated market share of Saku Õlletehase AS was 44.5% (a year ago: 41.9%). The upswing in market share was facilitated by a successful launch of Saku Originaal in novel AM packaging in February 2005. Saku Originaal is the leading beer brand in Estonian beer market by being 63% bigger than the next coming beer brand of the same segment.

Saku Brewery was the first Estonian beer producer to implement a new quality package, AM bottle: innovative unbreakable quality packaging for beer. The bottle which is used to package the company's core brand has made a qualitative change in Estonian beer market by increasing the share of mainstream and premium beers at the expense of products in ordinary plastic packaging whose importance has grown drastically in the past few years.

Sturdy growth continued also in the cider and gin long drink markets which expanded by ~15% and ~61% respectively. Cider sales of Saku increased 18% and gin long drink sales 96% compared to 2004 same period. Saku Õlletehase AS increased its share in the cider market from 33.6% last year to 34.7% and its share in the gin long drink market from 20.1% to 26.3%.

Export of the company has increased 61% compared to last year same period. Since 1 May Saku Originaal is distributed in Finland by the largest Finnish brewery Sinebrychoff OY. The export containers of Saku Originaal were included in the Finnish packaging deposit system. Since May 1, 2004 has increased exports to Finland four-fold.

Expenses for the first quarter totalled EEK 105.4m (€6.7), EEK 21.4m (€1.4m) or 25.5% up on the same period in 2004. The largest growth occurred in the cost of materials, consumables and supplies, largely on account of expanded sales and production volumes. The volume of beverages sold in one-way packaging (cans and PET) has almost doubled compared to a year ago, triggering an increase in related materials costs and rising operating volumes have increased transport and advertising expenses. The growth in personnel expenses has been affected, among other things, by the non-recurring payments related with organizational restructuring.

Saku Õlletehase AS' operating profit for the first three months of 2005 amounted to EEK 4.1m (€0.3m), EEK 3.6m (€232,000) up on a year ago. Net profit for the first quarter amounted to EEK 4.4m (€0.3m) against the EEK 0.6m (€0.04m) earned a year ago.

FINANCIAL RATIOS	January- March 2005	January- March 2004
Operating margin (operating profit / total revenue)	3.8%	0.6%
Net margin (net profit / total revenue)	4.0%	0.7%
Return on assets (net profit / average total assets)	1.0%	0.1%

	Saku Õlletehase AS Interim financial statements Q1, 2005	
Return on equity (net profit / average equity)	1.2%	0.2%
Non-current asset turnover ratio (total revenue / average non-current assets)	0.4	0.3
Total assets turnover ratio (total revenue / average total assets)	0.2	0.2

3. Statement of management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the financial statements of Saku Õlletehase AS for the first quarter of 2005 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 financial statements comply with International Financial Reporting Standards;
- the financial statements give a true and fair view of the financial position of Saku Õlletehase AS 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 Õlletehase AS is a going concern.



Jaak Uus
Chairman of Management Board



Marko Loos
Member of Management Board



Tarmo Lehtmets
Member of Management Board