

SAKU ÕLLETEHASE AS
INTERIM FINANCIAL STATEMENTS
FIRST 6 MONTHS OF 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
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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.

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1. Financial statements

BALANCE SHEET

(In thousands)

	EEK			€		
	30.6.2005	30.6.2004	31.12.2004	30.6.2005	30.6.2004	31.12.2004
ASSETS						
Cash and bank	13,786	22,701	36,461	881	1,451	2,330
Trade receivables (Note 2)	97,356	68,503	43,319	6,222	4,378	2,768
Other receivables and prepayments (Note 3)	8,936	10,856	6,766	571	693	432
Inventories (Note 4)	123,630	140,856	109,674	7,901	9,002	7,009
TOTAL CURRENT ASSETS	243,708	242,916	196,220	15,575	15,524	12,539
Non-current assets						
Long-term financial investments (Note 5)	10,420	12,087	11,029	668	773	707
Property, plant and equipment (Note 6)	242,228	250,763	239,295	15,480	16,027	15,293
Intangible assets (Note 7)	453	455	596	28	29	38
TOTAL NON-CURRENT ASSETS	253,101	263,305	250,920	16,176	16,829	16,038
TOTAL ASSETS	496,809	506,221	447,140	31,751	32,353	28,577
LIABILITIES AND EQUITY						
Current liabilities						
Debt obligations (Note 8)	43,207	531	140	2,761	34	9
Trade payables	28,576	27,211	16,266	1,826	1,739	1,039
Other payables (Note 13)	4,060	56,039	471	259	3,582	30
Tax liabilities (Note 9)	44,532	35,036	23,314	2,846	2,239	1,490
Payables to employees	2,890	2,928	3,095	185	187	198
Other accrued expenses	7,542	9,370	3,078	482	599	196
Short-term provisions (Note 10)	26,554	32,884	24,636	1,697	2,101	1,575
TOTAL CURRENT LIABILITIES	157,361	163,999	71,000	10,056	10,481	4,537
Non-current liabilities						
Finance lease liabilities (Note 8)		58			4	
TOTAL NON-CURRENT LIABILITIES		58			4	
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	188,070	194,032	194,032	12,020	12,400	12,401
Net profit for the period	19,308	16,062	50,038	1,234	1,027	3,198
TOTAL EQUITY	339,448	342,164	376,140	21,695	21,868	24,040
TOTAL LIABILITIES AND EQUITY	496,809	506,221	447,140	31,751	32,353	28,577

INCOME STATEMENT

(In thousands)

	EEK			€		
	January- June 2005	January- June 2004	2004	January- June 2005	January- June 2004	2004
Revenue						
Sales revenue (Note 12)	304,108	255,073	530,865	19,436	16,302	33,928
Other revenue (Note 14)	118	144	705	8	9	46
Total revenue	304,226	255,217	531,570	19,444	16,311	33,974
Expenses						
Changes in work in progress and finished goods inventories	-5,105	-10,870	-6,105	-326	-694	-390
Materials, consumables and supplies used (Note 15)	137,773	118,814	241,305	8,805	7,593	15,422
Other operating expenses (Note 15)	73,917	64,249	125,292	4,724	4,106	8,008
Personnel expenses (Note 15)	36,172	29,472	58,081	2,312	1,884	3,712
Depreciation and amortization expense (Notes 6, 7)	23,500	21,931	45,025	1,502	1,401	2,878
Other expenses (Note 15)	1,170	1,459	3,915	75	93	250
Total expenses	267,427	225,055	467,513	17,092	14,383	29,880
PROFIT FROM OPERATIONS	36,799	30,162	64,057	2,352	1,928	4,094
Financial income and expenses (Note 16)	193	-46	35	12	-3	2
PROFIT FOR THE PERIOD BEFORE TAX	36,992	30,116	64,092	2,364	1,925	4,096
Income tax expense	17,684	14,054	14,054	1,130	898	898
NET PROFIT FOR THE PERIOD	19,308	16,062	50,038	1,234	1,027	3,198
Basic earnings per share (Note 17)	2.41	2.01	6.25	0.15	0.13	0.40
Diluted earnings per share (Note 17)	2.41	2.01	6.25	0.15	0.13	0.40

INCOME STATEMENT, Q2

(In thousands)

	EEK		€	
	Q2 2005	Q2 2004	Q2 2005	Q2 2004
Revenue				
Sales revenue	194,608	170,715	12,438	10,911
Other revenue	99	62	7	4
Total revenue	194,707	170,777	12,445	10,915
Expenses				
Changes in work in progress and finished goods inventories	-340	-4,050	-21	-258
Materials, consumables and supplies used	86,602	77,800	5,534	4,972
Other operating expenses	45,821	39,303	2,928	2,512
Personnel expenses	17,696	16,310	1,131	1,043
Depreciation and amortization expense	11,590	10,995	741	702
Other expenses	663	739	43	47
Total expenses	162,032	141,097	10,356	9,018
PROFIT FROM OPERATIONS FOR Q2	32,675	29,680	2,089	1,897
Financial income and expenses	-51	-148	-4	-9
PROFIT FOR Q2 BEFORE TAX	32,624	29,532	2,085	1,888
Income tax expense	17,684	14,054	1,130	898
NET PROFIT FOR Q2	14,940	15,478	955	990
Basic earnings per share	1.87	1.93	0.12	0.12
Diluted earnings per share	1.87	1.93	0.12	0.12

CASH FLOW STATEMENT, INDIRECT METHOD

(In thousands)

	EEK			€		
	January- June 2005	January- June 2004	2004	January- June 2005	January- June 2004	2004
Operating activities						
Profit from operations	36,799	30,162	64,057	2,352	1,928	4,094
Adjustments for						
Depreciation and amortization (Notes 6, 7)	23,500	21,931	45,025	1,502	1,401	2,878
Result of non-current asset sales and write-off	-5	-109	-391	-1	-8	-25
Transformation of a long-term receivable into a short-term one	9	18	36	1	1	2
Non-cash expenses (Note 19)	831	866	1,914	53	55	123
Change in inventories	-13,956	-27,204	3,978	-892	-1,738	255
Change in receivables	-56,207	-38,769	-9,495	-3,593	-2,478	-607
Change in current liabilities	43,294	42,165	2,756	2,767	2,694,	175
Interest paid	-307	-421	-531	-20	-26	-34
Corporate income tax paid	-17,684	-14,054	-14,054	-1,130	-898	-898
Net cash from operating activities	16,274	14,585	93,295	1,039	931	5,963
Investing activities						
Acquisition of non-current assets (Notes 6, 7)	-26,290	-26,964	-38,901	-1,679	-1,723	-2,487
Sales of non-current assets	5	185	453		12	29
Interest received	297	140	361	19	9	24
Net cash used in investing activities	-25,988	-26,639	-38,087	-1,660	-1,702	-2,434
Financing activities						
Dividends paid (Note 11)	-56,000	-40,000	-40,000	-3,579	-2,556	-2,557
Payment of finance lease principal (Note 8)	-134	-437	-701	-8	-28	-45
Loans received	43,201	53,199	61,016	2,761	3,400	3,900
Repayment of loans			-61,016			-3,900
Net cash used in/from financing activities	-12,933	12,762	-40,701	-826	816	-2,602
Net cash flows	-22,647	708	14,507	-1,447	45	927
Effect of exchange rate fluctuations	-28	-30	-69	-2	-2	-5
Increase/decrease in cash and cash equivalents	-22,675	678	14,438	-1,449	43	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	13,786	22,701	36,461	881	1,451	2,330
Increase/decrease in cash and cash equivalents	-22,675	678	14,438	-1,449	43	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
Dividend distribution				-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
1 January 2005	80,000	8,000	44,070	244,070		376,140
Dividend distribution				-56,000		-56,000
Net profit for the period					19,308	19,308
30 June 2005	80,000	8,000	44,070	188,070	19,308	339,448

(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	14,956	0	23,397
Dividend distribution				-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
1 January 2005	5,113	511	2,817	15,599		24,040
Dividend distribution				-3,579		-3,579
Net profit for the period					1,234	1,234
30 June 2005	5,113	511	2,817	12,020	1,234	21,695

Notes to the interim financial statements

Note 1. Accounting policies

The interim financial statements for the first six months 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 the 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		€	
	30.6.2005	30.6.2004	30.6.2005	30.6.2004
Due from customers	97,461	68,587	6,229	4,384
Allowance for doubtful receivables	-150	-150	-10	-10
Write-off of irrecoverable items	47	75	3	5
Recovery of items previously written off	-2	-9		-1
Total	97,356	68,503	6,222	4,378

The ratio of irrecoverable receivables written off in the first 6 months of 2005 to sales revenue is 0.015%. The expenditure related to write-off of receivables is recognized in *Other operating expenses*.

Note 3. Other receivables and prepayments

(In thousands)	EEK		€	
	30.6.2005	30.6.2004	30.6.2005	30.6.2004
Receivables from other group companies (Note 13)	2,744	5,177	175	331
Miscellaneous short-term receivables	2,142	916	138	58
Prepaid VAT	471	720	30	46
Prepaid expenses	2,179	2,643	139	169
AS Rocca al Mare Suurhall bonds (Note 5)	1,400	1,400	89	89
Total	8,936	10,856	571	693

Note 4. Inventories

(In thousands)	EEK		€	
	30.6.2005	30.6.2004	30.6.2005	30.6.2004
Materials	35,382	34,216	2,261	2,187
Work in progress	10,001	8,268	639	528
Finished goods	13,773	15,166	880	969
Merchandise purchased for resale	45,657	52,992	2,919	3,387
Prepayments to suppliers	774	951	49	61
Returnable containers in the possession of customers	18,043	29,263	1,153	1,870
Total	123,630	140,856	7,901	9,002

Inventories written down and off in the first six months of 2005 totalled EEK 1,139,000 (€73,000), breaking down as follows:

- materials – EEK 229,000 (€15,000);
- finished goods – EEK 433,000 (€28,000);
- merchandise purchased for resale (containers) – EEK 477,000 (€30,000).

At 30 June 2005, inventories of EEK 29,051,000 (€1,857,000) 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. Until 30 April 2005 the cost of returnable glass bottles was estimated on the basis of their expected turnover ratio. Since 1 May 2005 when a new wording of the Packaging Act entered into force and established packaging deposits, their cost is determined based on the quantity of unreturned glass bottles which are subject to a deposit. 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 30.6.2005	Balance EEK (€) 31.12.2004	Redemption / change in value EEK(€) 2005	Balance EEK (€) 30.6.2005	Interest %
AS Rocca al Mare Suurhall	22 registered B shares	2,820 (181)		2,820 (181)	0.006
AS Rocca al Mare Suurhall	90 registered bonds of one type	9,600 (614)	-600 (-38)	9,000 (576)	
Long-term receivables		9 (1)	-9 (-1)		
Total		12,429 (796)	-609 (-39)	11,820 (757)	
Incl. current portion		1,400 (89)		1,400 (89)	
Incl. non-current portion		11,029 (707)		10,420 (668)	

The company has 22 B shares and 90 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 under *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 designated 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 under *Financial income*.

INCOME-EARNING FINANCIAL ASSETS

(In thousands of EEK)

	30.6.2005					30.6.2004				
	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	2,000	9,000	5.00	1,400	5,600	3,400	10,400

(In thousands of €)

	30.6.2005					30.6.2004				
	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	129	576	5.00	89	358	217	664

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 made 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 related 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 entire lease term.

Since the share of external financing in the overall 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, 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 the first 6 months of 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
Addition			5,287		349	4,493		3,205		12,885	26,219
Reclassification			852							-852	
Sales			-333								-333
Write-off and termination of lease									-1,069		-1,069
Closing balance	3,186	135,307	297,319	6,157	4,675	67,781	6,058	10,476	157	14,923	546,039
Depreciation											
Opening balance		37,634	176,520	4,937	3,678	50,770	3,936	3,334	1,118		281,927
Depreciation of 2005		3,223	13,362	377	310	4,158	303	1,448	105		23,286
Sales			-333								-333
Write-off and termination of lease									-1,069		-1,069
Closing balance		40,857	189,549	5,314	3,988	54,928	4,239	4,782	154		303,811
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	94,450	107,770	843	687	12,853	1,819	5,694	3	14,923	242,228

(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
Addition			337		22	287		205		824	1,675
Reclassification			54							-54	
Sales			-21								-21
Write-off and termination of lease									-68		-68
Closing balance	204	8,646	19,002	393	298	4,332	387	670	11	955	34,898
Depreciation											
Opening balance		2,405	11,282	317	235	3,244	251	213	72		18,019
Depreciation of 2005		206	854	24	20	266	19	92	7		1,488
Sales			-21								-21
Write-off and termination of lease									-68		-68
Closing balance		2,611	12,115	341	255	3,510	270	305	11		19,418
Carrying amount											
Opening balance	204	6,241	7,350	76	41	801	136	252	7	185	15,293
Closing balance	204	6,035	6,887	52	43	822	117	365	0	955	15,480

Leased out assets includes bar furniture which has been transferred to customers under the terms of operating lease to support HoReCa sales. At 30 June 2005 the carrying amount of the furniture was EEK 5,694,000 (€364,000). Related operating lease income has been presented in Note 8. In addition, the company has placed at the disposal of customers other sales support assets which customers have accepted into storage with liability. At the end of the period, the carrying amount of the assets was EEK 17,277,000 (€1,104,000). At 30 June 2005 the carrying amount of kegs in the possession of customers was EEK 1,217,000 (€78,000). The kegs are part of the company's property, plant and equipment.

Note 7. Intangible assets

Movements in intangible assets in the first 6 months of 2005

(In thousands)

	EEK 30.6.2005	€ 30.6.2005
Cost		
Opening balance	2,113	135
Addition	71	4
Closing balance	2,184	139
Amortization		
Opening balance	1,517	97
Amortization charge for 2005	214	14
Closing balance	1,731	111
Carrying amount		
Opening balance	596	38
Closing balance	453	28

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 46,000 (€3,000) has been recognized under *Sales revenue*. The lease income of subsequent periods breaks down as follows:

- receivable within 1 year – EEK 68,000 (€4,000);
- receivable between 1 and 4 years – EEK 87,000 (€6,000).

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		€	
	30.6.2005	30.6.2004	30.6.2005	30.6.2004
Principal payments made during the period	146	437	9	28
Interest payments made during the period	12	81	1	5
Minimum amount of lease payments	6	589		38
Incl. falling due within 1 year	6	531		34
falling due between 1 and 4 years		58		4
... Incl. principal payments	6	496		32
falling due within 1 year	6	446		29
falling due between 1 and 4 years		50		3

The depreciation charge for the first six months of 2005 amounted to EEK 105,000 (€7,000) 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 1,367,000 (€87,000) for motor vehicles and operating lease payments of EEK 204,000 (€13,000) for production plant and equipment. The company has 53 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 700,000 (€45,000).

OPERATING LEASE

(In thousands)

	EEK		€	
	30.6.2005	30.6.2004	30.6.2005	30.6.2004
Lease payments made during the period	1,571	1,722	100	110
Incl. contingent lease payments for plant and equipment	108	124	7	8
Minimum amount of lease payments	3,437	4,651	220	297
Incl. payable within 1 year	1,976	2,019	126	129
payable between 1 and 5 years	1,461	2,632	94	168

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		€	
	30.6.2005	30.6.2004	30.6.2005	30.6.2004
Alcohol excise duty	27,459	21,541	1,755	1,376
Value-added tax	14,243	10,623	910	679
Personal income tax	964	984	61	63
Social tax	1,589	1,492	102	95
Income tax on fringe benefits, and non-business and entertainment expenses	154	279	10	18
Unemployment insurance contributions	67	61	4	4
Funded pension contributions	56	56	4	4
Total	44,532	35,036	2,846	2,239

Note 10. Short-term provisions

(In thousands)	EEK		€	
	30.6.2005	30.6.2004	30.6.2005	30.6.2004
Obligation to repurchase reusable containers				
- glass bottles, plastic crates and trays	18,043	29,263	1,153	1,870
- kegs	3,924	3,506	251	224
- plastic bottles	2,104		134	
- metal cans	2,483		159	
Consumer campaign prizes		115		7
Total	26,554	32,884	1,697	2,101

The provision for the obligation to repurchase reusable containers has been established to cover expenses that could arise on the repurchase of returnable containers circulating in the market as at 30 June 2005. The obligation results from the Packaging Act and the nature of the company's business. The obligation to repurchase packaging subject to a deposit is determined as the difference between the deposits of packaging sold and unreturned packaging. The provision for the obligation to repurchase other returnable packaging and the corresponding inventory account are adjusted at each balance sheet date using 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 (€11,000) 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 their 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- June 2005	January- June 2004	January- June 2005	January- June 2004
Beer	240,285	207,811	15,357	13,281
Other alcoholic beverages	38,582	22,301	2,466	1,425
Mineral water	12,423	11,503	794	735
Soft drinks	10,320	11,625	659	743
By-products	826	640	53	41
Services	496	528	32	34
Other goods	1,176	665	75	43
Total	304,108	255,073	19,436	16,302

SALES BY MARKETS

(In thousands)

	EEK		€	
	January- June 2005	January- June 2004	January- June 2005	January- June 2004
Estonia	269,729	223,322	17,239	14,273
Lithuania, Latvia, Finland, Ukraine, Denmark	34,379	31,751	2,197	2,029
Total	304,108	255,073	19,436	16,302

Note 13. Transactions with related parties

Related party transactions include transactions with the direct parent Baltic Beverage Holding AS (BBH) and companies belonging to Carlsberg Breweries A/S and Scottish

& Newcastle plc groups (the shareholders of BBH). Sales revenue comprises income from the sales of finished goods and filling services, and the 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- June 2005	January- June 2004	January- June 2005	January- June 2004
Parent Baltic Beverages Holding AB	2,334	1,800	149	115
Companies belonging to the same group as the parent	19,759	24,183	1,263	1,546
Corporate shareholders of the parent	604	524	39	33
Companies belonging to the same group as corporate shareholders of the parent	49	2,716	3	173
Total	22,746	29,223	1,454	1,867

Sales by Saku Õlletehase AS

(In thousands)	EEK		€	
	January- June 2005	January- June 2004	January- June 2005	January- June 2004
Companies belonging to the same group as the parent	25,087	20,825	1,604	1,331
Corporate shareholders of the parent	182	210	12	13
Companies belonging to the same group as corporate shareholders of the parent	5,085	6,616	324	423
Total	30,354	27,651	1,940	1,767

Saku Õlletehase AS' receivables from related parties

(In thousands)	EEK		€	
	30.6.2005	30.6.2004	30.6.2005	30.6.2004
Companies belonging to the same group as the parent	1,625	2,234	104	143
Corporate shareholders of the parent	121		8	
Companies belonging to the same group as corporate shareholders of the parent	998	2,943	63	188
Total	2,744	5,177	175	331

Saku Õlletehase AS' payables to related parties

(In thousands)	EEK		€	
	30.6.2005	30.6.2004	30.6.2005	30.6.2004
Parent Baltic Beverages Holding AB	1,095	282	70	18
Companies belonging to the same group as the parent	2,965	55,750	189	3,563
Corporate shareholders of the parent		7		1
Total	4,060	56,039	259	3,582

Royalties payable to Carlsberg Breweries A/S, which at 30 June 2005 amounted to EEK 928,000 (€59,000), have been reported under *Accrued expenses*.

Payments made during the period to members of the management and the supervisory boards (before taxes) totalled EEK 2,840,000 (€182,000).

Note 14. Other revenue

(In thousands)	EEK		€	
	January- June 2005	January- June 2004	January- June 2005	January- June 2004
Gains on sale of non-current assets	5	57		4
Income on receivables	53	11	3	1
Interest on arrears received	6	23	1	1
Insurance indemnification received	32	42	2	3
Foreign exchange gains	22	11	2	
Total	118	144	8	9

Note 15. Expenses

(In thousands)	EEK		€	
	January- June 2005	January- June 2004	January- June 2005	January- June 2004
Materials	41,115	36,695	2,628	2,345
Ancillary materials	60,745	48,409	3,882	3,094
Imported beverages	13,034	18,426	833	1,177
Other	22,879	15,284	1,462	977
Total materials, consumables and supplies	137,773	118,814	8,805	7,593
Advertising	29,788	24,728	1,904	1,580
Transportation and vehicle expenses	21,316	17,868	1,362	1,142
Waste disposal	2,663	2,511	170	160
Renovation of buildings and equipment repair	1,955	2,227	125	142
Purchase of other services	14,050	11,352	898	726
Other expenses	4,145	5,563	265	356
Total other operating expenses	73,917	64,249	4,724	4,106
Wages and salaries	27,007	21,998	1,726	1,406
Social tax	9,051	7,375	579	471
Unemployment insurance contributions	114	99	7	7
Total personnel expenses	36,172	29,472	2,312	1,884
Sponsoring, entertainment expenses and expenses not related to the core activity	702	996	45	64
Interest on arrears paid	10	7	1	
Purchase and sale of returnable containers	379	329	24	21
Foreign exchange losses	79	127	5	8
Total other expenses	1,170	1,459	75	93

Note 16. Financial income and expenses

(In thousands)	EEK		€	
	January- June 2005	January- June 2004	January- June 2005	January- June 2004
Interest income	528	406	34	26
Total financial income	528	406	34	26
Interest expense	187	302	12	19
Foreign exchange losses	28	30	2	2
Financial expenses from shares	120	120	8	8
Total financial expenses	335	452	22	29
Total financial income and expenses	193	-46	12	-3

Note 17. Earnings per share

	EEK		€	
	January- June 2005	January- June 2004	January- June 2005	January- June 2004
Net profit for the period (in thousands)	19,308	16,062	1,234	1,027
Number of shares	8,000,000	8,000,000	8,000,000	8,000,000
Basic earnings per share	2.41	2.01	0.15	0.13
Diluted earnings per share	2.41	2.01	0.15	0.13

Basic earnings per share are found by dividing net profit for the period by the period's weighted 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 financing of OÜ Eesti Pandipakend to the extent of EEK 20m (€1.3m). The financing 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 the contracts that will be made, altogether in an amount of up to EEK 60m (€3.8m).

OÜ Eesti Pandipakend is a packaging recovery organization established by producers and traders on the basis of the Packing Act. Its responsibility 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

A significant non-cash transaction is the offsetting of the income receivable on AS Rocca al Mare Suurhall bonds belonging to Saku Õlletehase AS against the latter's liabilities to AS Rocca al Mare Suurhall. The liabilities result from advertising services rendered under a cooperation agreement. In the first six months of 2005 the offset figure amounted to EEK 831,000 (€3,000).

2. Review of operations and performance

In the first half of 2005 Saku Õlletehase AS sold 39.3m litres of beverages, 6.8m litres or 21% up on the same period in 2004. Revenues totalled EEK 304.2m (€19.4m), an EEK 49.0m (€3.1m) or 19.2% improvement on a year ago. The main growth drivers were beer and other alcoholic beverages.

According to the Estonian Breweries Association, in the first six months of 2005 the Estonian beer market grew by roughly 13%. The accumulated market share of Saku Õlletehase AS was 44.8% (a year ago: 41.5%). The upswing in market share was facilitated by a successful launch of products in novel high-quality AM packaging in February 2005 which added value to the entire beer category. The company has launched a new upper economy beer brand Blond during the period and there was held successful consumer games for the main brand Saku Original, which is the biggest beer brand in Estonia.

Saku Õlletehas exported 12% from its total volume, mainly to the Baltic states and also to Finland. Finnish export is distributed by Sinebrychoff OY, which is the market leader in Finnish beer market.

The company has expanded his activities on other beverages markets. Sturdy growth continued also in the cider and gin long drink markets which expanded by 10.3% and 60.5% on a year ago respectively. Saku Õlletehase AS increased its sales in the local cider market by 9.9% and in the local long drink market by 106.6%, maintaining its position in the former (a 33.4% share in 2005 against 33.5% in 2004) and improving its position in the latter (a 26.6% share in 2005 against 20.7% in 2004).

Expenses for the first half of the year totalled EEK 267.4m (€17.1), EEK 42.4m (€2.7m) or 18.8% 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. Compared to a year ago, the volume of beverages sold in one-way packaging (cans and PET) has grown 52% to 73% of overall sales (58% a year ago), triggering an increase in related materials costs. Rising operating volumes and proactive marketing magnified transport and advertising expenses whereas personnel expenses increased primarily due to organisational changes implemented in the first quarter.

The growth in operating volumes and market share had a definite positive impact on our results of operation: Saku Õlletehase AS ended the first half of 2005 with an operating profit of EEK 36.8m (€2.4m), an EEK 6.6m (€424,000) improvement on a year ago, and a net profit of EEK 19.3m (€1.2m) (EEK 16.1m (€1.0m) a year ago).

FINANCIAL RATIOS

	January- June 2005	January- June 2004
Operating margin (operating profit / total revenue)	12.1%	11.8%
Net margin (net profit / total revenue)	6.3%	6.3%
Return on assets (net profit / average total assets)	4.1%	3.4%
Return on equity (net profit / average equity)	5.4%	4.5%
Non-current asset turnover ratio (total revenue / average non-current assets)	1.2	1.0
Total assets turnover ratio (total revenue / average total assets)	0.6	0.5

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 six months 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 on 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