



SAKU ÕLLETEHASE AS
INTERIM FINANCIAL STATEMENTS
I HALF-YEAR 2006

Principal activities	production, whole- and retail sale, and import and export of alcoholic and non-alcoholic beverages
Beginning of financial year	1 January 2006
End of financial year	31 December 2006
Auditors	Andris Jegers KPMG Baltics AS
Status of financial statements	unaudited
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Saku Õlletehase AS is managed by Member of Management Board Janno Veskimäe.

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1. Interim financial statements

BALANCE SHEET

(In thousands)	EEK			€		
	30.6.2006	30.6.2005	31.12.2005	30.6.2006	30.6.2005	31.12.2005
ASSETS						
Cash and cash equivalents	38,044	13,786	71,407	2,431	881	4,563
Trade receivables (Note 2)	114,636	97,356	57,918	7,327	6,222	3,701
Other receivables and prepayments (Note 3)	9,909	8,936	4,968	633	571	317
Inventories (Note 4)	52,961	123,630	76,751	3,385	7,901	4,904
TOTAL CURRENT ASSETS	215,550	243,708	211,044	13,776	15,575	13,485
Non-current assets						
Long-term financial investments (Note 5)	8,780	10,420	9,380	561	668	602
Property, plant and equipment (Note 6)	293,000	242,228	255,133	18,726	15,480	16,305
Intangible assets (Note 7)	937	453	1,175	60	28	76
TOTAL NON-CURRENT ASSETS	302,717	253,101	265,688	19,347	16,176	16,983
TOTAL ASSETS	518,267	496,809	476,732	33,123	31,751	30,468
LIABILITIES AND EQUITY						
Current liabilities						
Loans and lease liabilities (Note 8)	164	43,207		11	2,761	
Trade payables	28,602	28,576	15,976	1,828	1,826	1,021
Other payables (Note 9)	105,386	59,024	41,728	6,735	3,772	2,666
Provisions (Note 10)	33,657	26,554	23,929	2,151	1,697	1,530
TOTAL CURRENT LIABILITIES	167,809	157,361	81,633	10,725	10,056	5,217
Non-current liabilities						
Lease liabilities (Note 8)	505			32		
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		2,817	2,817
Retained earnings	227,099	188,070	188,070	14,514	12,020	12,020
Profit for the period	34,854	19,308	74,959	2,228	1,234	4,790
TOTAL EQUITY	349,953	339,448	395,099	22,366	21,695	25,251
TOTAL LIABILITIES AND EQUITY	518,267	496,809	476,732	33,123	31,751	30,468

INCOME STATEMENT

(In thousands)	EEK			€		
	January- June 2006	January- June 2005	2005	January- June 2006	January- June 2005	2005
Revenue						
Sales revenue (Note 12)	349,896	304,108	644,836	22,362	19,436	41,212
Other revenue	126	118	149	8	8	10
Total revenue	350,022	304,226	644,985	22,370	19,444	41,222
Expenses						
Changes in work in progress and finished goods inventories	-2,947	-5,105	3,129	-188	-326	200
Cost of materials, consumables and services used (Note 14)	138,662	137,773	274,842	8,862	8,805	17,566
Other operating expenses (Note 14)	86,431	73,917	153,073	5,524	4,724	9,783
Labour costs (Note 14)	39,933	36,172	72,474	2,552	2,312	4,632
Depreciation and amortisation charges (Notes 6, 7)	28,078	23,500	46,317	1,794	1,502	2,960
Other expenses (Note 14)	2,228	1,170	3,119	142	75	200
Total expenses	292,385	267,427	552,954	18,686	17,092	35,341
OPERATING PROFIT	57,637	36,799	92,031	3,684	2,352	5,881
Net financing items (Note 15)	1,113	193	612	71	12	39
PROFIT BEFORE TAX	58,750	36,992	92,643	3,755	2,364	5,920
Income tax expense (Note 17)	23,896	17,684	17,684	1,527	1,130	1,130
PROFIT FOR THE PERIOD	34,854	19,308	74,959	2,228	1,234	4,790
Basic earnings per share (Note 16)	4.36	2.41	9.36	0.28	0.15	0.60
Diluted earnings per share (Note 16)	4.36	2.41	9.36	0.28	0.15	0.60

INCOME STATEMENT, Q2

(In thousands)	2006	EEK 2005	2006	€ 2005
Revenue				
Sales revenue (Note 12)	224,858	194,608	14,371	12,438
Other revenue	48	99	3	7
Total revenue	224,906	194,707	14,374	12,445
Expenses				
Changes in work in progress and finished goods inventories	-537	-340	-34	-21
Cost of materials, consumables and services used (Note 14)	85,370	86,602	5,456	5,534
Other operating expenses (Note 14)	53,822	45,821	3,440	2,928
Labour costs (Note 14)	22,499	17,696	1,437	1,131
Depreciation and amortisation charges (Notes 6, 7)	15,895	11,590	1,016	741
Other expenses (Note 14)	1,633	663	104	43
Total expenses	178,682	162,032	11,419	10,356
OPERATING PROFIT, Q2	46,224	32,675	2,955	2,089
Net financing items (Note 15)	598	-51	38	-4
PROFIT BEFORE TAX, Q2	46,822	32,624	2,993	2,085
Income tax expense (Note 17)		17,684		1,130
PROFIT FOR THE PERIOD, Q2	46,822	14,940	2,993	955
Basic earnings per share (Note 16)	5.85	1.87	0.37	0.12
Diluted earnings per share (Note 16)	5.85	1.87	0.37	0.12

CASH FLOW STATEMENT

(In thousands)	EEK			€		
	January - June 2006	January - June 2005	2005	January - June 2006	January - June 2005	2005
Cash flows from operating activities						
Operating profit	57,637	36,799	92,031	3,684	2,352	5,881
Adjustments for						
Depreciation and amortisation charges (Notes 6, 7)	28,078	23,500	46,317	1,794	1,502	2,960
Result of non-current asset sales and write-off	-78	-5	24	-5	-1	1
Transformation of a long-term receivable into a short-term one		9	9		1	
Non-cash expenses (Note 19)	796	831	1,844	51	53	118
Change in inventories	23,790	-13,956	32,923	1,519	-892	2,105
Change in receivables	-61,659	-56,207	-12,801	-3,942	-3,593	-818
Change in current liabilities	86,012	43,294	10,773	5,497	2,767	689
Finance lease	561			37		
Transfer of reusable glass bottles from inventories to property, plant and equipment	-33,692		-21,796	-2,153		-1,393
Interest paid	-124	-307	-233	-8	-20	-15
Corporate income tax paid	-23,896	-17,684	-17,684	-1,527	-1,130	-1,130
Net cash from operating activities	77,425	16,274	131,407	4,947	1,039	8,398
Cash flows from investing activities						
Acquisition of non-current assets	-32,020	-26,290	-40,970	-2,046	-1,679	-2,619
Proceeds from sale of non-current assets	87	5	8	6		1
Interest received	1,239	297	685	79	19	44
Net cash used in investing activities	-30,694	-25,988	-40,277	-1,961	-1,660	-2,574
Cash flows from financing activities						
Dividends paid (Note 11)	-80,000	-56,000	-56,000	-5,113	-3,579	-3,579
Payment of finance lease principal (Note 8)	-92	-134	-140	-5	-8	-9
Proceeds from loans received (Note 13)		43,201	62,586		2,761	4,000
Repayment of loans received (Note 13)			-62,586			-4,000
Net cash used in financing activities	-80,092	-12,933	-56,140	-5,118	-826	-3,588
Decrease / increase in cash and cash equivalents	-33,361	-22,647	34,990	-2,132	-1,447	2,236
Effect of exchange rate fluctuations	-2	-28	-44		-2	-3
Net decrease / increase in cash and cash equivalents	-33,363	-22,675	34,946	-2,132	-1,449	2,233
Cash and cash equivalents at beginning of period	71,407	36,461	36,461	4,563	2,330	2,330
Cash and cash equivalents at end of period	38,044	13,786	71,407	2,431	881	4,563
Net decrease / increase in cash and cash equivalents	-33,363	-22,675	34,946	-2,132	-1,449	2,233

STATEMENT OF CHANGES IN EQUITY

	Share capital	Statutory capital reserve	Other reserves	Retained earnings	Profit for the period	Total equity
(In thousands of EEK)						
1 January 2005	80,000	8,000	44,070	244,070		376,140
Dividend distribution				-56,000		-56,000
Profit for the period					19,308	19,308
30 June 2005	80,000	8,000	44,070	188,070	19,308	339,448
1 January 2006	80,000	8,000	44,070	263,029		395,099
Dividend distribution				-80,000		-80,000
Transfer of other reserves			-44,070	44,070		0
Profit for the period					34,854	34,854
30 June 2006	80,000	8,000	0	227,099	34,854	349,953

	Share capital	Statutory capital reserve	Other reserves	Retained earnings	Profit for the period	Total equity
(In thousands of €)						
1 January 2005	5,113	511	2,817	15,599		24,040
Dividend distribution				-3,579		-3,579
Profit for the period					1,234	1,234
30 June 2005	5,113	511	2,817	12,020	1,234	21,695
1 January 2006	5,113	511	2,817	16,810		25,251
Dividend distribution				-5,113		-5,113
Transfer of other reserves			-2,817	2,817		0
Profit for the period					2,228	2,228
30 June 2006	5,113	511	0	14,514	2,228	22,366

Notes to the interim financial statements

Note 1. Significant accounting policies

The interim financial statements for the first six months of 2006 have been prepared in accordance with the same accounting policies that were applied on the preparation of the annual financial statements for 2005.

The financial statements of Saku Õlletehase AS have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The standards have been consistently applied.

Note 2. Trade receivables

(In thousands)	EEK			€		
	30.6.2006	30.6.2005	31.12.2005	30.6.2006	30.6.2005	31.12.2005
Due from customers	114,766	97,461	58,278	7,336	6,229	3,724
Allowance for doubtful receivables	-150	-150		-10	-10	
Write-off of irrecoverable receivables	30	47	-361	2	3	-23
Recovery of items previously written off	-10	-2	1	-1		
Total	114,636	97,356	57,918	7,327	6,222	3,701

The ratio of irrecoverable receivables written off in the first six months of 2006 to sales revenue is 0.01 per cent. Expenses incurred on the write-off of receivables are recognised in the income statement in *Other operating expenses*.

Note 3. Other receivables and prepayments

(In thousands)	EEK			€		
	30.6.2006	30.6.2006	31.12.2005	30.6.2006	30.6.2005	31.12.2005
Receivables from group companies (Note 13)	4,066	2,744	1,765	260	175	113
Miscellaneous receivables	1,630	2,142	116	104	138	8
Prepaid VAT		471			30	
Prepaid expenses	2,813	2,179	1,687	180	139	107
Bonds issued by AS Rocca al Mare Suurhall (Note 5)	1,400	1,400	1,400	89	89	89
Total	9,909	8,936	4,968	633	571	317

Note 4. Inventories

(In thousands)	EEK			€		
	30.6.2006	30.6.2005	31.12.2005	30.6.2006	30.6.2005	31.12.2005
Raw and other materials	32,678	35,382	21,014	2,090	2,261	1,343
Work in progress	8,536	10,001	7,440	546	639	476
Finished goods	9,951	13,773	8,100	635	880	517
Goods purchased for resale	1,071	45,657	31,574	68	2,919	2,017
Prepayments to suppliers	725	774	93	46	49	6
Returnable packaging not subject to a deposit		18,043	8,530		1,153	545
Total	52,961	123,630	76,751	3,385	7,901	4,904

Write-off and write-down of inventories

(In thousands)	EEK			€		
	30.6.2006	30.6.2005	31.12.2005	30.6.2006	30.6.2005	31.12.2005
Raw and other materials	25	229	1,827	2	15	117
Finished goods	65	433	899	4	28	57
Returnable packaging not subject to a deposit	902	477	7,170	58	30	458
Total	992	1,139	9,896	64	73	632

From 1 June 2006, returnable packaging not subject to a deposit is recognised in *Property, plant and equipment*.

Note 5. Financial instruments

(In thousands)	AS Rocca al Mare Suurhall B shares EEK (€)	AS Rocca al Mare Suurhall bonds EEK (€)	Long-term receivable EEK (€)	Total EEK (€)
Number of instruments at 31.12.2004	22	96		
Balance at 31.12.2004	2,820 (181)	9,600 (614)	9 (1)	12,429 (796)
Including current portion		1,400 (89)		1,400 (89)
Including non-current portion	2,820 (181)	8,200 (525)	9 (1)	11,029 (707)
Redemption / change in value in 2005		-600 (-38)	-9 (-1)	-609 (-39)
Ownership interest in 2005	0.006			
Number of instruments at 30.6.2005	22	90		
Balance at 30.6.2005	2,820 (181)	9,000 (576)		11,820 (757)
Including current portion		1,400 (89)		1,400 (89)
Including non-current portion	2,820 (181)	7,600 (487)		10,420 (668)
Number of instruments at 31.12.2005	22	82		
Balance at 31.12.2005	2,580 (166)	8,200 (525)		10,780 (691)
Including current portion		1,400 (89)		1,400 (89)
Including non-current portion	2,580 (166)	6,800 (436)		9,380 (602)
Redemption / change in value in 2006		-600 (-41)		-600 (-41)
Ownership interest in 2006	0.006			
Number of instruments at 30.6.2006	22	76		
Balance at 30.6.2006	2,580 (166)	7,600 (484)		10,180 (650)
Including current portion		1,400 (89)		1,400 (89)
Including non-current portion	2,580 (166)	6,200 (395)		8,780 (561)

Saku Õlletehase AS has 22 B shares in and 76 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 significant 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 (€15,000) per year to reflect the decrease in the carrying amount of the benefits provided by the cooperation agreement that occurs over time. Amortisation expenses are recognised in the income statement in *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 interest at 5 per cent of the outstanding balance per year. The bonds are to be redeemed over the term of the cooperation agreement. The period's interest income on the bonds (EEK 196,000 (€13,000)) has been recognised in the income statement in *Financial income*.

(In thousands of EEK)	Bonds issued by AS Rocca al Mare Suurhall				
	Effective interest rate	Redemption			Total
		Up to 1 year	Between 1 and 5 years	Over 5 years	
31.12.2004	5.00	1,400	5,600	2,600	9,600
30.6.2005	5.00	1,400	5,600	2,000	9,000
31.12.2005	5.00	1,400	5,600	1,200	8,200
30.6.2006	5.00	1,400	5,600	600	7,600

(In thousands of €)	Bonds issued by AS Rocca al Mare Suurhall				
	Effective interest rate	Redemption			Total
		Up to 1 year	Between 1 and 5 years	Over 5 years	
31.12.2004	5.00	89	358	167	614
30.6.2005	5.00	89	358	129	576
31.12.2005	5.00	89	358	78	525
30.6.2006	5.00	89	358	37	484

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 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, considering 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 investment include a clause that if ownership of the recreational complex changes, the 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) is 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 financing 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 the first 6 months of 2006

(In thousands of EEK)	Land	Buildings and constructions	Plant and equipment	IT equipment and fixtures and fittings	Returnable packaging subject to a deposit	Returnable packaging not subject to a deposit	Assets leased out (Note 8)	Finance lease (Note 8)	Prepayments and investments in progress	Total
Cost at 31.12.2004	3,186	135,307	297,670	67,614	6,058		7,271	1,226	2,890	521,222
Accumulated depreciation at 31.12.2004		37,634	181,457	54,448	3,936		3,334	1,118		281,927
Carrying amount at 31.12.2004	3,186	97,673	116,213	13,166	2,122		3,937	108	2,890	239,295
Addition in 2005			5,287	4,842			3,205		12,885	26,219
Reclassification			852						-852	
Sales, termination of lease			-333					-1,069		-1,402
Depreciation for 2005		3,223	13,739	4,468	303		1,448	105		23,286
Cost at 30.6.2005	3,186	135,307	303,476	72,456	6,058		10,476	157	14,923	546,039
Accumulated depreciation at 30.6.2005		40,857	194,863	58,916	4,239		4,782	154		303,811
Carrying amount at 30.6.2005	3,186	94,450	108,613	13,540	1,819		5,694	3	14,923	242,228
Cost at 31.12.2005	3,186	135,151	328,298	63,422	27,791		10,765		1,407	570,020
Accumulated depreciation at 31.12.2005		43,964	206,509	52,906	5,534		5,974			314,887
Carrying amount at 31.12.2005	3,186	91,187	121,789	10,516	22,257		4,791		1,407	255,133
Addition in 2006			2,529	5,036	13,717	237	1,609	757	8,135	32,020
Reclassification						33,692				33,692
Sales			-490							-490
Depreciation for 2006		3,226	13,598	3,513	2,893	3,116	1,386	108		27,840
Cost at 30.6.2006	3,186	135,151	330,337	68,458	41,508	33,929	12,374	757	9,542	635,242
Accumulated depreciation at 30.6.2006		47,190	219,622	56,419	8,427	3,116	7,360	108		342,242
Carrying amount at 30.6.2006	3,186	87,961	110,715	12,039	33,081	30,813	5,014	649	9,542	293,000

(In thousands of €)	Land	Buildings and constructions	Plant and equipment	IT equipment and fixtures and fittings	Returnable packaging subject to a deposit	Returnable packaging not subject to a deposit	Assets leased out (Note 8)	Finance lease (Note 8)	Prepayments and investments in progress	Total
Cost at 31.12.2004	204	8,646	19,025	4,321	387		465	79	185	33,312
Accumulated depreciation at 31.12.2004		2,405	11,599	3,479	251		213	72		18,019
Carrying amount at 31.12.2004	204	6,241	7,426	842	136		252	7	185	15,293
Addition in 2005			337	309			205		824	1,675
Reclassification			54						-54	
Sales, termination of lease			-21					-68		-89
Depreciation for 2005		206	878	286	19		92	7		1,488
Cost at 30.6.2005	204	8,646	19,395	4,630	387		670	11	955	34,898
Accumulated depreciation at 30.6.2005		2,611	12,456	3,765	270		305	11		19,418
Carrying amount at 30.6.2005	204	6,035	6,939	865	117		365	0	955	15,480
Cost at 31.12.2005	204	8,636	20,982	4,054	1,776		688		90	36,430
Accumulated depreciation at 31.12.2005		2,810	13,199	3,381	353		382			20,125
Carrying amount at 31.12.2005	204	5,826	7,783	673	1,423		306		90	16,305
Addition in 2006			162	322	876	15	103	48	520	2,046
Reclassification							2,153			2,153
Sales			-31							-31
Depreciation for 2006		206	869	225	185	199	88	7		1,779
Cost at 30.6.2006	204	8,636	21,113	4,376	2,652	2,168	791	48	610	40,598
Accumulated depreciation at 30.6.2006		3,016	14,036	3,605	539	199	470	7		21,872
Carrying amount at 30.6.2006	204	5,620	7,077	771	2,113	1,969	321	41	610	18,726

The provision requiring the implementation of packaging deposits imposed by the Packaging Act, which was adopted in 2004, entered into effect on 1 October 2005. Since that date, returnable glass bottles subject to a deposit (both those in stock and those in the possession of customers) are recognised as items of property, plant and equipment. At the end of the reporting period, their total cost amounted to EEK 35,230,000 (€2,252,000).

Since 1 June 2006, returnable packaging not subject to a deposit (crates and pallets; both those in stock and those in the possession of customers) are recognised as items of property, plant and equipment. At the end of the reporting period, their cost amounted to EEK 33,929,000 (€2,168,000).

Assets leased out comprise bar furniture, which is leased under the terms of operating lease to support HoReCa sales (sales to hotels, restaurants and cafes). At 30 June 2006, the carrying amount of the furniture was EEK 5,014,000 (€320,000). At 30 June 2005, the corresponding figure was EEK 5,694,000 (€365,000). Information on operating lease income is presented in Note 8. In determining the value in use of the assets, future cash flows are identified on the

basis of estimated lease income and the profit earned on the products sold to the lessee.

In addition, customers have in their possession and are liable for sales support equipment belonging to the company. At 30 June 2006, the carrying amount of such equipment was EEK 10,843,000 (€693,000). At 30 June 2005, the corresponding figure was EEK 17,277,000 (€1,101,000). At 30 June 2006, the carrying amount of returnable packaging subject to a deposit that was in the possession of customers was EEK 15,365,000 (€982,000). At 30 June 2005, the corresponding figure was EEK 1,217,000 (€78,000). At 30 June 2006, the carrying amount of returnable packaging not subject to a deposit that was in the possession of customers was EEK 5,946,000 (€380,000).

Note 7. Intangible assets

Movements in intangible assets in the first 6 months of 2006

(In thousands)	EEK	€
Cost at 31.12.2004	2,113	135
Accumulated amortisation at 31.12.2004	1,517	97
Carrying amount at 31.12.2004	596	38
Addition in 2005	71	5
Amortisation for 2005	214	14
Cost at 30.6.2005	2,184	139
Accumulated amortisation at 30.6.2005	1,731	111
Carrying amount at 30.6.2005	453	28
Cost at 31.12.2005	2,541	163
Accumulated amortisation at 31.12.2005	1,366	87
Carrying amount at 31.12.2005	1,175	76
Amortisation for 2006	238	15
Cost at 30.6.2006	2,541	163
Accumulated amortisation at 30.6.2006	1,604	103
Carrying amount at 30.6.2006	937	60

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

Note 8. Leases

The company as a lessor

To support HoReCa sales, Saku Õlletehase AS leases out bar furniture. Further information on this is presented in the *Assets leased out* column of Note 6.

(In thousands)	EEK			€		
	30.6.2006	30.6.2005	31.12.2005	30.6.2006	30.6.2005	31.12.2005
Lease income on assets leased out	41	46	93	3	3	6
Lease income receivable within 1 year	61	68	61	4	4	4
Lease income receivable between 1 and 5 years	12	87	56	1	6	4

The company as a lessee

Finance lease

The company holds production equipment under finance lease. The cost, accumulated depreciation and carrying amount of such equipment is presented in the *Finance lease* column of Note 6.

The base currency of the leases is euro. Interest rates range from 4.0-4.75 per cent and are fixed for the terms of the lease contracts. The contracts do not impose restrictions on the company's dividend or financing policies. At the end of the lease term, title to the leased assets transfers to the company. Assets held under finance lease have not been subleased.

FINANCE LEASE

(In thousands)	EEK		€	
	30.6.2006	30.6.2005	30.6.2006	30.6.2005
Principal payments made during the period	92	146	6	9
Interest payments made during the period	4	12		1
Minimum amount of lease payments due	669	6	43	
Within 1 year	164	6	11	
Between 1 and 4 years	505		32	
... including principal payments due	595	6	38	
Within 1 year	142	6	9	
Between 1 and 4 years	453		29	

The depreciation charge for the first 6 months of 2006 amounted to EEK 108,000 (€7,000) and has been recognised in the income statement in *Depreciation and amortization charges*.

Operating lease

During the reporting period, the company had 71 operating lease contracts on motor vehicles and 3 on production plant and equipment. Operating lease payments for motor vehicles amounted to EEK 1,818,000 (€116,000) and those for production plant and equipment to EEK 67,000 (€4,000). Payments made for additional warehouse space totalled EEK 258,000 (€16,000).

(In thousands)	EEK			€		
	30.6.2006	30.6.2005	31.12.2005	30.6.2006	30.6.2005	31.12.2005
Lease payments made during the period	1,885	1,571	3,398	120	100	217
Including contingent lease payments for plant and equipment		108	108		7	7
Minimum lease liabilities	7,502	3,437	7,221	479	220	462
Including payable within 1 year	3,112	1,976	3,188	199	126	204
Including payable between 1 and 5 years	4,390	1,461	4,033	280	94	258

The base currency of all contracts on the lease of motor vehicles is the Estonian kroon and the one of contracts on the lease of production plant and equipment is euro. The contracts do not impose restrictions on the company's dividend or financing policies and leased assets have not been subleased.

Note 9. Other payables

(In thousands)	EEK			€		
	30.6.2006	30.6.2005	31.12.2005	30.6.2006	30.6.2006	31.12.2005
Income tax	23,896			1,527		
Alcohol excise duty	29,695	27,459	16,699	1,898	1,755	1,067
Value-added tax	17,387	14,243	9,606	1,111	910	614
Social tax	1,961	1,589	2,044	125	102	131
Income tax on fringe benefits, non-business and entertainment expenses	84	154	252	5	10	16
Personal income tax	1,060	964	1,232	68	61	79
Unemployment insurance premiums	49	67	80	3	4	5
Funded pension premiums	44	56	71	3	4	4
Payables to employees	3,938	2,890	3,508	252	185	224
Payables to group companies (Note 13)	7,089	4,060	2,708	453	259	173
Other accrued expenses	20,183	7,542	5,528	1,290	482	353
Total	105,386	59,024	41,728	6,735	3,772	2,666

Note 10. Provisions

(In thousands)	EEK			€		
	30.6.2006	30.6.2006	31.12.2005	30.6.2006	30.6.2006	31.12.2005
Obligation to recover returnable packaging subject to a deposit	19,966	12,450	13,524	1,276	796	865
Obligation to recover one-way packaging subject to a deposit	4,772	4,587	2,441	305	293	156
Obligation to repurchase returnable packaging not subject to a deposit	8,919	9,517	7,964	570	608	509
Total	33,657	26,554	23,929	2,151	1,697	1,530

The provisions for the obligation to repurchase packaging have been established to cover the expenses that could arise on the repurchase of packaging circulating in the market at 30 June 2006 in an amount equal to the deposit or repurchase value of the packaging. The obligation results from the Packaging Act and the nature of the company's business. Glass and plastic bottles and metal cans were established deposits in 2005 in connection with the entry into force of the implementing provision of the Packaging Act which provided for the implementation of deposits.

The obligation to repurchase returnable packaging is a short-term obligation because the estimated return period of packaging does not exceed one year. If it appears during a reporting period that the return rate of packaging is less than 100 per cent, the liability becomes smaller and the provision is adjusted accordingly.

Note 11. Equity

The share capital of Saku Õlletehase AS amounts to EEK 80 million (€5.113 million) and is made up of 8 million ordinary 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 authorised share capital amount to 8

million shares, i.e. EEK 80 million (€5.113 million), and 32 million shares, i.e. EEK 320 million (€20.45 million), respectively. The number of shares issued did not change during the reporting period. Shareholders are entitled to receive dividends and have one vote per share at meetings of the company. On 28 March 2006 the general meeting approved the proposal of the management board to declare for 2005 a net dividend of EEK 80 million (€5.1 million), i.e. EEK 10 per share. The dividends were paid out on 22 June 2006.

The statutory capital reserve of EEK 8 million (€511,000) has been established in accordance with the requirements of the Commercial Code. The capital reserve is established with annual net profit transfers. Every year, the company has to transfer to the capital reserve at least 1/20 of its net profit until the reserve amounts to 1/10 of the share capital. The capital reserve may be used to cover losses and to increase share capital but it cannot be distributed to shareholders.

The general meeting decided to transfer other reserves of EEK 44,070,000 (€2,817,000) to retained earnings.

Note 12. Revenue

SALES OF PRODUCTS AND SERVICES						
(In thousands)	EEK			€		
	30.6.2006	30.6.2005	31.12.2005	30.6.2006	30.6.2005	31.12.2005
Beer	280,111	240,285	507,812	17,902	15,357	32,455
Other alcoholic beverages	48,975	38,582	85,727	3,130	2,466	5,479
Mineral water	15,161	12,423	26,257	969	794	1,678
Soft drinks	3,498	10,320	20,070	223	659	1,283
By-products	747	826	1,511	48	53	96
Services	327	496	828	21	32	53
Other goods	1,077	1,176	2,631	69	75	168
Total	349,896	304,108	644,836	22,362	19,436	41,212
SALES BY MARKETS						
(In thousands)						
Estonia	311,289	269,729	574,639	19,895	17,239	36,726
Lithuania, Latvia, Finland, Ukraine, Denmark, Sweden, USA	38,607	34,379	70,197	2,467	2,197	4,486
Total	349,896	304,108	644,836	22,362	19,436	41,212

Note 13. Related party transactions

Related party transactions include transactions with the direct parent Baltic Beverage Holding AS (BBH), companies belonging to BBH group, Carlsberg A/S and Scottish & Newcastle plc and companies belonging to Carlsberg A/S and Scottish & Newcastle plc groups (Carlsberg A/S and Scottish & Newcastle plc are shareholders of BBH). Sales comprise the sales of finished goods and filling services, and the letting of premises. Purchases include purchases of goods, packaging, and management and consulting services. Purchases and sales of finished goods are performed at the transfer prices of BBH Group.

Purchases by Saku Õlletehase AS

(In thousands)	EEK			€		
	30.6.2006	30.6.2006	31.12.2005	30.6.2006	30.6.2006	31.12.2005
The parent company BBH	4,662	2,334	6,543	298	149	418
Companies belonging to the same group as the parent	12,125	19,759	32,071	775	1,263	2,050
Shareholders of the parent	670	653	2,283	43	42	146
Companies belonging to the same groups as shareholders of the parent	15,614		15,257	998		975
Total	33,071	22,746	56,154	2,114	1,454	3,589

Sales by Saku Õlletehase AS

(In thousands)	EEK			€		
	30.6.2006	30.6.2006	31.12.2005	30.6.2006	30.6.2006	31.12.2005
The parent company BBH						
Companies belonging to the same group as the parent	29,061	25,087	50,163	1,857	1,604	3,206
Shareholders of the parent	495	182	182	31	12	12
Companies belonging to the same groups as shareholders of the parent	6,157	5,085	10,652	394	324	681
Total	35,713	30,354	60,997	2,282	1,940	3,899

Receivables from related parties

(In thousands)	EEK			€		
	30.6.2006	30.6.2006	31.12.2005	30.6.2006	30.6.2006	31.12.2005
The parent company BBH			459			298
Companies belonging to the same group as the parent	2,281	1,625		146	104	
Shareholders of the parent	160	121		10	8	
Companies belonging to the same groups as shareholders of the parent	1,625	998	1,306	104	63	84
Total	4,066	2,744	1,765	260	175	113

Liabilities to related parties

(In thousands)	EEK			€		
	30.6.2006	30.6.2005	31.12.2005	30.6.2006	30.6.2005	31.12.2005
The parent company BBH	1,248	1,095	472	80	70	30
Companies belonging to the same group as the parent	1,067	2,965	1,159	68	189	74
Shareholders of the parent	36		295	2		19
Companies belonging to the same groups as shareholders of the parent	4,738		782	303		50
Total	7,089	4,060	2,708	453	259	173

Payments made to the management and supervisory board members in the first six months of 2006 totalled EEK 3,477,000 (€222,000). The corresponding figure for the first six months of 2005 was EEK 2,840,000 (€196,000). At 30 June 2006, the total contingent severance liability to members of the top management, including taxes, amounted to EEK 2,084,000 (€133,000). At 30 June 2005, the figure was EEK 1,961,000 (€125,000).

Note 14. Expenses

(In thousands)	EEK			€		
	30.6.2006	30.6.2005	31.12.2005	30.6.2006	30.6.2005	31.12.2005
Raw materials	43,156	41,115	76,668	2,758	2,628	4,900
Ancillary materials	63,278	60,745	119,187	4,044	3,882	7,618
Imported beverages	9,010	13,034	29,421	576	833	1,880
Other	23,218	22,879	49,566	1,484	1,462	3,168
Total cost of materials, consumables and services used	138,662	137,773	274,842	8,862	8,805	17,566
Advertising expenses	34,914	29,788	57,439	2,232	1,904	3,671
Transportation and vehicle expenses	22,092	21,316	45,840	1,412	1,362	2,930
Waste management (sewerage) costs	3,251	2,663	5,691	208	170	364
Renovation of buildings and equipment repair	4,115	1,955	3,851	263	125	246
Purchase of other services	19,159	14,050	29,043	1,224	898	1,856
Other expenses	2,900	4,145	11,209	185	265	716
Total other operating expenses	86,431	73,917	153,073	5,524	4,724	9,783
Wages and salaries	29,867	27,007	54,182	1,909	1,726	3,463
Social security charges	9,983	9,051	18,058	638	579	1,154
Unemployment insurance premiums	83	114	234	5	7	15
Total labour costs	39,933	36,172	72,474	2,552	2,312	4,632
Losses from non-current asset sales and write-off			30			2
Sponsoring, entertainment expenses and expenses not related to the core production	1,087	702	2,304	69	45	148
Interest on arrears paid	1,085	10	48	69	1	3
Purchase and sale of packaging		379	581		24	37
Foreign exchange losses	56	79	156	4	5	10
Total other expenses	2,228	1,170	3,119	142	75	200

Note 15. Net financing items

(In thousands)	EEK			€		
	30.6.2006	30.6.2005	31.12.2005	30.6.2006	30.6.2005	31.12.2005
Interest income	1,239	528	1,129	79	34	72
Total financial income	1,239	528	1,129	79	34	72
Interest expense	4	187	233		12	15
Foreign exchange losses	2	28	44		2	3
Financial expenses related to shares	120	120	240	8	8	15
Total financial expenses	126	335	517	8	22	33
Net financing items	1,113	193	612	71	12	39

Note 16. Earnings per share

(In thousands)	EEK			€		
	30.6.2006	30.6.2005	31.12.2005	30.6.2006	30.6.2005	31.12.2005
Net profit	34,854	19,308	74,959	2,228	1,234	4,790
Number of shares	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Basic earnings per share	4.36	2.41	9.36	0.28	0.15	0.60
Diluted earnings per share	4.36	2.41	9.36	0.28	0.15	0.60

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 17. Income tax expense

(In thousands)	EEK			€		
	30.6.2006	30.6.2005	31.12.2005	30.6.2006	30.6.2005	31.12.2005
Dividends paid	80,000	56,000	56,000	5,113	3,579	3,579
Income tax rate applied	29.9%	31.6%	31.6%	29.9%	31.6%	31.6%
Income tax expense	23,896	17,684	17,684	1,527	1,130	1,130

In accordance with the effective Income Tax Act, in 2005 the income tax rate for dividends was 24/76 (i.e. 31.6 per cent) of the amount distributed as the net dividend. In 2006 the tax rate is 23/77 (i.e. 29.9 per cent).

Note 18. Contingent liabilities

The alcohol excise duty liability to the Customs Board is secured with a bank guarantee as required by law. The guarantee amounts to EEK 3,130,000 (€200,000) and is valid from 11 November 2005 to 13 February 2007.

In accordance with the agreement made on 14 December 2005, Saku Õlletehase AS guarantees the financing of OÜ Eesti Pandipakend (a packaging recovery organisation) to the extent of EEK 10.9 million (€0.7 million).

Note 19. Non-cash transactions

The income receivable on AS Rocca al Mare Suurhall bonds is offset against Saku Õlletehase AS' liability to AS Rocca al Mare Suurhall. The liability is related to advertising services rendered under a cooperation agreement. In the first six months of 2006, the offset amount was EEK 796,000 (€51,000). In the first six months of 2005 the corresponding figure was EEK 831,000 (€53,000).

2. Review of operations and performance

In the first half of 2006, Saku Õlletehase AS sold over 42 million litres of beverages, a notable 7.6 per cent or 3 million litre improvement on a year ago.

Six months' revenues totalled EEK 350 million (€22.4 million), an EEK 45.8 million (€2,900) or 15 per cent upswing on the first six months of 2005. The boost in revenue may be attributed to better sales in all product categories and a clear upmarket shift in the category of beer.

Expenses totalled EEK 292.4 million (€18.7 million), EEK 25 million (€1.6 million) or 9 per cent up on the same period in 2005. The principal growth drivers were pay rises in the production and logistics functions which took place in the second quarter and a continuing upsurge in fuel and energy prices.

Profit before tax amounted to EEK 58.8 million (€3.8 million), a solid EEK 21.8 million (€1.3 million) or 59 per cent improvement on the first half of 2005. The dividend distribution gave rise to income tax expense of EEK 23.8 million (€1.5 million).

"Saku Õlletehase AS ended the first six months of 2006 with excellent results, including sturdy operating profit. Compared to a year ago, we expanded our market share in the category of beer even further, primarily thanks to the superb performance of our premium beers and successful product development. Consistent focus on profitable growth has proven an effective strategy. In the second quarter we launched all planned innovations both in terms of beverages and packaging, and during the period our people implemented all the strategic decisions adopted for the enhancement of our logistics structure," said Acting Chairman of the Management Board Janno Veskimäe. "In the second quarter the company responded swiftly to developments in the labour market which triggered a rise in recruitment and payroll expenses but ensured smooth and uninterrupted operation and exceptional output during the summer season," he added.

According to the Estonian Breweries' Association, in the first six months of 2006 the Estonian beer market grew by 4 per cent to 63.5 million litres. The market share of Saku Õlletehase AS grew by 2 percentage points to 46.5 per cent. In 2006, Saku Õlletehase AS has fortified its leading position in the Estonian beer market even further through a dedicated focus on the premium and mainstream segments. In the reporting period, the growth in market share was supported by sustained growth in the sales of *Saku Kuld* and *Carlsberg*, a highly successful summer campaign arranged for *Saku Originaal*, the growth attained by *Rock* in all types of packaging and a successful launch of the new beer drink *Saku Dlight* at the beginning of summer.

In the first half of 2006, the Estonian cider market grew by 11 per cent; the market share of Saku Õlletehase AS was 30 per cent. At the beginning of summer, Saku Õlletehase AS launched cherry-flavoured *KISS Cherry* and a novel mix of carbonated water and fruit wine called *KISS Spritzer* which became an instant success.

The long drink market continued growing at a swift pace, expanding by 34 per cent. The market share of Saku Õlletehase AS remained stable at 25 per cent. In spring, Saku Õlletehase AS launched *Saku GIN Long Drink Tonic* and in summer, we penetrated the premium alcoholic cocktails market with *SIN*, a line of three flavours – vodka-watermelon, vodka-lime and rum-cola. The new line was warmly welcomed by consumers and contributed substantially to growth in the company's market share in the second half of the summer.

According to marketing research company ACNielsen, in the first six months of 2006 the Estonian water market (including both table and mineral waters) grew by 18 per cent, Saku Õlletehase AS maintaining its 10 per cent share. In the second quarter Saku Õlletehase AS launched forest berry-flavoured carbonated table water *Vichy Classique Forest Berry* and in June we terminated the distribution of the economy class *Montavit* line.

Major innovations of the period included the launch of still *Vichy Classique* in *Aqua Pure*, a bottle specially developed for non-carbonated table water. The new bottle which was implemented in May is more convenient and ideal for packaging non-carbonated table water as it precludes the development of any side- or aftertaste. In addition, in the summer Saku Õlletehase AS was the first to launch in Estonia non-carbonated flavoured near water. The new line is called *Vichy VivaFresh* and currently contains two flavours: strawberry and lemon-lime. The launch of non-carbonated flavoured water is part of a plan to significantly increase the consumption of healthy drinks, including flavoured water, at the expense of soft drinks.

3. Statement of management responsibility

The management board acknowledges its responsibility for the interim financial statements of Saku Õlletehase AS for the first six months of 2006 and confirms that to the best of its knowledge, information and belief:

- the policies applied in the preparation of the interim financial statements comply with International Financial Reporting Standards as adopted by the European Union;
- the interim financial statements give a true and fair view of the financial position of Saku Õlletehase AS and of the results of its operations and its cash flows;
- all significant events that occurred before the date on which the financial statements were authorised for issue have been properly recognised and disclosed; and
- Saku Õlletehase AS is a going concern

30. August 2006

A handwritten signature in black ink, appearing to be 'Janno Veskimäe', written in a cursive style.

Janno Veskimäe
Member of Management Board