

OY SINEBRYCHOFF AB

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OY SINEBRYCHOFF AB

Review by the Board of Directors January - December 2003

Corporate Structure

Oy Sinebrychoff Ab produces beer, other mild alcohol drinks, soft drinks and special drinks at its Finnish production facilities in Kerava and Pori. The company also produces and sells Coca-Cola products in Finland. Oy Sinebrychoff Ab is a subsidiary 100 % owned by Carlsberg Breweries A/S.

The past financial period

Oy Sinebrychoff Ab's sales volumes during the financial period were 400,5 million litres. Sales to the domestic market decreased by 1,1 % which was markedly below trade average (3,0 %).

Oy Sinebrychoff Ab became market leader in brewery and soft drink products in Finland, increasing its market share to 45,3 % (44,4 %) (source: Market share statistics published by the Finnish Food and Drink Industries' Federation). The company maintained market leadership in beers with a market share of 44,6 % (44,0 %), in ciders with a 51 % (53,3 %) share, and in soft drinks with a 51,7 % (49,1 %) share. In long drinks the successful launch of the Kurko brand brought a market share of 34,2 % (28,9 %). In mineral waters the market share was 19,9 % (21,8 %).

Gross investments were 14,2 MEUR (26,7 MEUR). The largest investments included a sorting line and packaging machines in Kerava. The company's turnover was 326,2 MEUR (329,5 MEUR), of which 3 % originated from export. Operating profit was 45,7 MEUR (45,1MEUR).

Since 1999, Oy Sinebrychoff Ab has adopted a certified environment programme based on ISO 14001. Environmental aspects are taken into account in the company's operations, the target being the prevention of environmental hazards and minimising the use of natural resources. The company is in favour of the reuse and recycling of e.g. packaging material. During the accounting period, the amount of waste in relation to the amount of production was further decreased at the Kerava production plant. Also the organic load of sewage in the Pori plant was decreased.

The Board of Directors, Managing Director and Auditors of the company

At the Annual General Meeting held on 28th February 2003 Lars Pålsson, Tom von Weymarn, Finn Berg, Kasper Madsen and Bjørn Erik Næss were elected as Board Members. Lars Pålsson was Chairman of the Board. On 3.2.2004 the number of Board Members was reduced to three and Tom von Weymarn, Finn Berg and Bjørn Erik Næss were replaced by Johan Furuhjelm.

The company's Managing Director is Johan Furuhjelm. Auditors elected by the Annual General Meeting were Ernst & Young with Mrs. Anna-Maija Simola, APA as Responsible Auditor, and Mr. Mikko Ryttilahti, APA as Deputy Auditor.

Major events since the closing of the financial period, and prospects for the upcoming financial year

There have been no major events since the closing of the financial period. Total demand of drinks is estimated to remain the same or slightly increase due to the coming withdrawal of alcohol import restrictions and the decrease of excise tax. The liberation of private imports from EU countries in the beginning of 2004 combined with Estonia becoming a member state on 1.5.2004 will increase private cheap imports of alcohol. This will decrease the domestic sales volumes of beverage companies operating in Finland. The decrease of excise tax from 1.3.2004 onwards is insufficient, and the considerable price difference to southern neighbouring EU states will cause increased imports.

Sinebrychoff's objective is nevertheless to further strengthen its market position in key operational areas. Profitability development is highly dependent on the increase of cheap alcohol imports and its effect on the domestic market.

Proposal for the Allocation of Profits

The company's distributable unrestricted equity was 72.400.115,36 €, of which the profit for the financial period is 27.144.263,29 €.

The Board proposes that the distributable unrestricted equity be used as follows:

- 87,39 €/share to be paid as dividend, or a total of 28.545.681,33 €
- To remain as equity 43.854.434,03 €

**PROFIT AND LOSS ACCOUNT
EUR**

		1.1.2003-31.12.2003	1.1.2002-31.12.2002
	Note		
TURNOVER	1.	326 198 398,21	329 469 050,10
Cost of goods sold		-204 768 096,33	-203 575 431,82
GROSS MARGIN		121 430 301,88	125 893 618,28
Sales and marketing expenses		-64 830 035,90	-67 007 870,46
Administrative expenses		-15 362 299,55	-14 815 567,95
Other operating income	2.	5 363 558,43	2 872 525,04
Other operating expenses	3.	-949 510,93	-1 874 959,50
OPERATING PROFIT		45 652 013,93	45 067 745,41
Financial income and expenses	7.	-2 776 957,18	-479 633,22
PROFIT BEFORE APPROPRIATIONS AND TAXES		42 875 056,75	44 588 112,19
Appropriations	8.	-3 860 844,22	-4 757 192,71
Income taxes	9.	-11 869 949,24	-11 818 060,80
NET PROFIT		27 144 263,29	28 012 858,68

BALANCE SHEET
EUR

5(19)

ASSETS		31.12.2003	31.12.2002
	Note		
NON-CURRENT ASSETS	10.		
Intangible assets	10.1	34 148 799,69	40 152 941,18
Tangible assets	10.2	179 099 663,48	195 513 023,37
Holdings in group undertakings	10.3	365 871,47	365 871,47
Other investments	10.4	93 965,38	93 965,38
TOTAL NON-CURRENT ASSETS		213 708 300,02	236 125 801,40
CURRENT ASSETS			
Inventories	11.	35 987 296,99	33 349 447,14
Long-term receivables		765,11	204,18
Short-term receivables	12.1	44 733 333,78	63 271 805,52
Cash and bank		1 063 321,95	1 415 223,10
TOTAL CURRENT ASSETS		81 784 717,83	98 036 679,94
		295 493 017,85	334 162 481,34
LIABILITIES		31.12.2003	31.12.2002
	Note		
SHAREHOLDERS' EQUITY	13.		
Share capital	13.1	41 203 561,21	41 203 561,21
Premium reserve	13.2	55 503 655,56	55 503 655,56
Revaluation reserve	13.3	336 375,85	336 375,85
Retained earnings	13.4	45 255 852,07	52 582 932,32
Net profit for the financial year	13.5	27 144 263,29	28 012 858,68
TOTAL SHAREHOLDERS' EQUITY		169 443 707,98	177 639 383,62
ACCUMULATED DEPRECIATION DIFFERENCE	14.	28 420 239,73	24 559 395,51
OBLIGATORY PROVISIONS	15.	514 400,00	474 100,00
LIABILITIES	17.		
Long-term liabilities	17.1	1 355 363,05	2 710 728,61
Short-term liabilities	17.2	95 759 307,09	128 778 873,60
TOTAL LIABILITIES		97 114 670,14	131 489 602,21
		295 493 017,85	334 162 481,34

CASH FLOW STATEMENT
TEUR

	1.1.2003-31.12.2003	1.1.2002-31.12.2002
Cash flow from operating activities		
Operating profit	45 652	45 068
Adjustments to operating profit	28 843	33 800
Change in working capital	33 374	82 356
Interests and other financial expences paid	-2 850	-5 706
Dividends received	3	1
Interests received	147	5 545
Income taxes paid	-10 399	-8 741
Cash flow from operating activities	94 770	152 324
Cash flow from investments		
Investments on tangible and intangible assets	-14 175	-26 732
Sales returns of tangible and intangible assets	7 751	2 524
Cash flow from investments	-6 424	-24 208
Cash flow from financing		
Repayments of short-term loans	-49 014	-94 551
Raisings of long-term loans		32
Repayments of long-term loans	-4 344	-19 474
Dividends paid	-35 340	-13 125
Cash flow from financing	-88 698	-127 118
Change in cash	-352	998
Cash as of 1.1.	1 415	417
Cash as of 31.12.	1 063	1 415
 Change in working capital :		
Change in short-term receivables	24 652	86 961
Change in inventory	-2 638	-2 387
Change in short-term payables	<u>11 360</u>	<u>-2 218</u>
	33 374	82 356

Notes to the Financial Statements

The parent company of Oy Sinebrychoff Ab is Carlsberg Breweries A/S, domiciled in Copenhagen. Carlsberg Breweries A/S is part of the Carlsberg A/S group, address 1, Valby Langgade, DK-2500 Valby.

Turnover

Indirect taxes, discounts received and exchange rate differences have been deducted from sales income.

Valuation of fixed assets

Fixed assets have been presented in the Balance Sheet at direct acquisition cost minus planned depreciation.

Depreciation according to plan has been calculated as straight-line depreciations based on the economic life-span of the asset categories.

Depreciation periods according to plan are as follows:

Goodwill	10-20 years
Other long-term expenditures	3-10 years
Buildings	25-40 years
Constructions	20-25 years
Machinery	8-20 years
Equipment	3-8 years
Other tangible	5-30 years

Investments

Investments have been entered at acquisition cost. The profits and losses arising from sale of non-current assets are included in Other operating income or expenses.

Valuation of inventories

Inventories are valued according to the FIFO principle at purchase cost, a lower repurchase cost or likely sales cost. Inventories include, besides variable costs, their share of fixed purchasing and production costs.

Foreign currency denominated items

Receivables and payables in foreign currencies have been converted into Euro based on the European Central Bank exchange rate on the Balance Sheet date, exchange rate differences have been entered in the profit and loss statement.

Deferred tax income and liabilities

Deferred tax income and liabilities have not been shown in the Profit and Loss Account or Balance Sheet; the figures are presented in the Notes to the Financial Statements.

Research and development costs

Research and development costs have been entered as a charge in the year when they arose.

Allocation of pension expenses

The pension insurances of the company personnel have been handled in external pension insurance companies. The pension payments and expenses for the financial period are based on calculations made by the pension insurance companies. The pension expenses are entered as cost for the year they arose.

Notes to the Financial Statements

All figures in '000 EUR

1

Turnover by market area

	2003	2002
Finland	316 416	315 695
Scandinavian Countries	3 875	6 187
Russia	1 384	1 358
Other European Countries	3 107	4 037
Other Countries	1 416	2 192
Total	326 198	329 469

2

Other operating income

	2003	2002
Profits on sale of fixed assets	4 646	1 982
Other	718	891
Total	5 364	2 873

3

Other operating expenses

	2003	2002
Sales losses of fixed assets	-61	-203
VAT and excise tax from previous years	-788	-1 572
Other	-101	-100
Total	-950	-1 875

4

Materials and services

	2003	2002
Materials and consumables		
Purchases during the financial year	-108 084	-110 583
Change in inventories	273	421
	-107 811	-110 162
External services	-24 912	-23 826
Total materials and services	-132 723	-133 988

5.1

Personnel expenses

	2003	2002
Wages and salaries	-40 460	-39 159
Pension expenses	-6 166	-5 643
Other indirect employee costs	-3 854	-4 167
Total	-50 480	-48 969

5.2

Average number of personnel during the financial period

	2003	2002
Clerical employees	563	552
Workers	637	636
Total	1 200	1 188

5.3

Pension commitments for the management

The retirement age of the Managing Director is 62 years.

6

Depreciation and write-offs

	2003	2002
Depreciation on tangible and intangible assets	-33 428	-35 579
Total	-33 428	-35 579

6.1

Depreciation by function

	2003	2002
Purchasing and production	-19 011	-18 381
Sales and marketing	-10 860	-13 549
Administration	-3 557	-3 649
Total	-33 428	-35 579

7

Financial income and expenses

	2003	2002
Dividend income		
From other companies	2	1
Total dividend income	2	1
Interest income from long-term financial assets		
From group companies	0	3 758
Total income from long-term financial assets	2	3 759
Other interest income and financial income		
From group companies	649	881
From other companies	120	196
	769	1 077
Interest income from long-term financial assets and other interest income and financial income, total	771	4 836

7

11 (19)

Financial income and expenses

	2003	2002
Interest expenses and other financial expenses		
To group companies	-2 718	-4 584
To other companies	-830	-732
	-3 548	-5 316
Total financial income and expenses	-2 777	-480
The item 'Interest and financial income' includes exchange profits (net)	-14	-18

8

Appropriations

	2003	2002
Difference between planned depreciation and tax depreciation	-3 861	-4 757

9

Deferred taxes

	2003	2002
Change in deferred tax income		
From shelf depreciation	147	147
From obligatory provisions	12	-6
	159	141
Change in deferred tax liabilities		
From appropriations	-1 120	-1 379

Calculated tax income or liabilities have not been presented in the Profit and Loss Account or Balance Sheet.

10. Fixed assets

10.1 Intangible assets

	Intangible rights	Goodwill	Other long-term expenditures	Total
Acquisition cost 1.1.2003	31 174	20 966	7 490	59 630
Increase	26		152	178
Decrease			-436	-436
Transfer to other items				0
Acquisition cost 31.12.2003	31 200	20 966	7 206	59 372
Accumulated depreciation and revaluation 1.1.2003	-8 613	-4 193	-6 670	-19 476
Accumulated depreciation from decrease and transfer			436	436
Depreciation from financial period	-3 626	-2 097	-460	-6 183
Accumulated depreciation 31.12.2003	-12 239	-6 290	-6 694	-25 223
Book value 31.12.2003	18 961	14 676	512	34 149

10.2 Tangible assets

	Land	Buildings and Constructions	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.2003	16 256	114 235	228 264	1 300	1 401	361 456
Increase	-65	1 833	10 781	271	1 178	13 998
Decrease	-1 519	-4 544	-5 639			-11 702
Transfer to other items		154	1 247		-1 401	0
Acquisition c. 31.12.03	14 672	111 678	234 653	1 571	1 178	363 752
Accumulated depreciation and revaluation 1.1.2003		-37 777	-128 032	-470		-166 279
Accumulated depreciation from decrease and transfer		3 369	5 168	-199		8 338
Depreciation from financial period		-4 381	-22 666			-27 047
Accumulated depreciation 31.12.2003		-38 789	-145 530	-669		-184 988
Revaluation						
Land area, Pori						
Book value 31.12.2003	336					336
Book value 31.12.2002	336					
Book value 31.12.2003	15 008	72 889	89 123	902	1 178	179 100

Book value of production
machinery and equipment
31.12.2003
31.12.2002

73 311
78 603

10.2.1 Tangible assets

Revaluations

	Value 1.1.2003	Revaluations 1.-31.12.2003	Liquidation of revaluations 1.1.-31.12.2003	Value 31.12.2003
Land and water areas, Pori	336	-	-	336

10.3 Share of ownership in other group companies

Associated companies

Name	Number of shares	Nominal value	Ownership	Book value
Kiinteistö Oy Palokorvenkatu 13	735	1,68	49%	1
Kiinteistö Oy Santaniitynkatu 20	735	1,68	49%	1

Loan receivables from associated companies

Kiinteistö Oy Palokorvenkatu 13, Kerava	198
Kiinteistö Oy Santaniitynkatu 20, Kerava	165

Total	366
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10.4 Other investments

Suomen Palautuspakkaus Oy, Helsink	200	168,19	16,66%	34
Other				60
Total				94

11 Inventories

	2003	2002
Materials and consumables	4 685	4 412
Work in progress	1 225	1 119
Finished goods	30 077	27 818
Total	35 987	33 349

12
Receivables

12.1
Short-term receivables

	2003	2002
Trade receivables	34 421	58 441
Receivables from group companies		
Trade receivables	368	823
Loan receivables	6 839	-
Prepaid expenses and accrued income	168	210
Total	7 375	1 033
Prepaid expenses and accrued income	2 937	3 798
Total short-term receivables	44 733	63 272

12.1.1
Prepaid expenses and accrued income

	2003	2002
Accrued income from group companies		
Interest periodisation	20	44
Other	148	166
Total	168	210
Prepaid expenses	747	1 695
Other	2 190	2 103
Total	2 937	3 798
Major items in accrued income		
Marketing periodisations	1 245	1 056
Tax periodisation		746
Insurance	1 186	1 730
Other	674	476
Total	3 105	4 008

13

Changes in shareholders' equity

		2003	2002
	Share capital 1.1.	41 204	41 204
13.1	Share capital 31.12.	41 204	41 204
	Premium fund 1.1.	55 504	55 504
13.2	Premium fund 31.12.	55 504	55 504
	Revaluation fund 1.1.	336	336
13.3	Revaluation fund 31.12.	336	336
	Profit carried forward 1.1.	80 596	65 707
	Dividends	-35 340	-13 125
13.4	Profit carried forward 31.12.	45 256	52 582
13.5	Net income	27 144	28 013
	Total shareholders' equity	169 444	177 639

Distributable unrestricted equity

Profit carried forward	45 256	52 582
Profit for the financial period	27 144	28 013
Total distributable unrestricted equity	72 400	80 595

14

Accumulated appropriations

Appropriations are made up of accumulated depreciation differences.

15

Obligatory provisions

	2003	2002
Pension liabilities	514	474
Total	514	474

16

Deferred tax assets and liabilities

	2003	2002
Deferred tax assets		
From shelf depreciation	441	294
From change in obligatory provisions	149	137
Total	590	431
Deferred tax liabilities		
From appropriations	8 242	7 122

17
Liabilities

17.1
Long-term liabilities

	2003	2002
Loans from financial institutions	1 355	2 711
Total long-term liabilities	1 355	2 711

17.2
Short-term liabilities

	2003	2002
Loans from financial institutions	1 355	4 890
Pension loans	0	2 628
Trade payables	21 573	18 239
Accrued expenses and deferred income	26 130	20 040
Other liabilities	44 952	43 704
Liabilities to group companies		
Trade payables	1 749	209
Accrued expenses and deferred income	0	69
Other short-term liabilities	0	39 000
Total short-term liabilities	95 759	128 779

17.2.1
Accrued expenses and deferred income

	2003	2002
Holiday pay liability	6 092	5 887
Discounts	15 146	10 675
Other	4 892	3 478
Total deferred income	26 130	20 040
Accrued expenses from group companies		
Interest accrual	0	69
Total	0	69

Guarantees, mortgages and other commitments

18.1

Liabilities; mortgages given as collateral

	2003	2002
Pension loans	0	2 629
Mortgages given	0	10 091
Loans from financial institutions	0	360
Mortgages given	0	5 887
Total mortgages	0	15 978

18.2

Other given collateral

	2003	2002
Mortgages	10 932	10 932

18.3.

Commitments on leasing contracts

	2003	2002
Payable during the next accounting period	616	598
Payable after one year	819	661
Total	1 435	1 259

18.4

Liabilities pertinent to § 33 of the Act on Value-Added Tax

	2003	2002
Liabilities pertinent to §33 of the Act on Value-Added Tax	6 446	6 467

18.5

Other commitments and contracts

	2003	2002
Kerava city*), the build-up of water supply and sewage system	4 948	5 832
Commercial liabilities**)	16 960	17 626
Rent liabilities	561	800
Other liabilities	4 841	6 026

*) Oy Sinebrychoff Ab and the city of Kerava have agreed on the financing of the build-up of the water supply and sewage system for the Kerava production plant, that Oy Sinebrychoff Ab will be responsible for the installments and interests on the loans that Kerava city has raised for this purpose. The commitment includes the nominal value of future costs.

***) The commercial liabilities of the company include the contracts made on raw materials and the equipment for repacking and sorting lines and washing machines.

The 2003 Financial Statements include the Board of Director's Review, Profit and Loss Statement, Balance Sheet, Cash Flow Statement and Notes to the Financial Statements, which are hereby submitted to the Annual General Meeting.

Kerava, 11th February 2004

Lars Pålsson
Chairman

Kasper Madsen

Johan Furuhjelm
Managing Director

The above Financial Statements have been prepared in accordance with generally accepted accounting principles in Finland. Our Auditors' Report has been issued today.

Kerava, February 2004

Ernst & Young Oy
Authorised Public Accounting Firm

Anna-Maija Simola, APA

The following accounting records have been used in 2003

:

Daily record, EDP sheets

General ledger, EDP sheets

Specifications of accounts receivable and payable

Accounts payable, EDP sheets

Accounts receivable, EDP sheets

List of fixed assets, EDP sheets