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To: the Board of Directors and the Shareholders of Efes Breweries International N.V.

AUDITOR'S REPORT

Report on the company financial statements

We have audited the accompanying company financial statements for the year 2006 which are part of the financial statements of Efes Breweries International N.V., Amsterdam, which comprise the balance sheet as at December 31, 2006, the profit and loss account for the year then ended and the notes.

Management's responsibility
Management is responsible for the preparation and fair presentation of the company financial statements and for the preparation of the report of the management board, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the company financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the company financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the company financial statements give a true and fair view of the financial position of Efes Breweries International N.V. as at December 31, 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the management board is consistent with the company financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, May 8, 2007

for Ernst & Young Accountants

C.N.J. Verhart

Efes Breweries International N.V.

Annual Report 2006

Company Only Financial Statements

Chamber of Commerce no: 33284696

Adopted by the Annual General Meeting of Shareholders on May 11, 2007

TABLE OF CONTENTS

REPORT OF THE SUPERVISORY BOARD *2*

1. **Functioning and Strategy of the Supervisory Board** 2
2. **Independence of the Supervisory Board Members** 2
3. **Meetings** 2
4. **Evaluation of the Functioning of the Supervisory Board** 2
5. **Supervisory Board Committees** 3
   i. Audit Committee 3
   ii. Selection and Appointment Committee 3
   iii. Corporate Governance Committee 3
   iv. Remuneration Committee 4
6. **Remuneration policy of EBI** 4
   Remuneration report 2006 4
   Elements 4
   Term of Management Board Contracts 5
   Remuneration 2006 5
7. **The Articles of Association** 6

REPORT OF THE MANAGEMENT BOARD *7*

1. **The Management Board** 7
   Functioning and Strategy of the Management Board 7
   New Appointments 7
   Meetings 7
   Evaluation of the Functioning of the Management Board 7
2. **Operational Review** 7
   Sales Volumes 7
   Net Sales 8
   Profitability 8
   Ebitda Breakdown 8
   Net Financial Deb 9
   Acquisition, Disposals and Capex 9
   Marketing 9
   Efes Beer Group Support 10
3. **Forecast for the Next Year** 10
4. **Risk Profile** 10
5. **Internal Risk Management** 12
6. **Investor Relations Function** 13

FINANCIAL STATEMENTS *14*

Balance Sheet 15

Income Statement 16

Statement of Changes in Equity 17

Notes to the Financial Statements 18

OTHER INFORMATION *36*

Articles of Association Re Appropriation of Net Income 37

Appropriation of Net Income 37

Consolidated Financial Statements together with Auditors’ Report 38

REPORT OF THE SUPERVISORY BOARD

1. Functioning and Strategy of the Supervisory Board

The Supervisory Board supervises the policies of the Board of Management as well as the general course of EBI's affairs and business. The Supervisory Board also advises the Board of Management. In performing their duties members of the Supervisory Board must serve the interests of EBI and its business enterprise as well as the interests of all of EBI's stakeholders.

The Supervisory Board has adopted Supervisory Board Rules that regulate in detail its tasks and responsibilities. Pursuant to the Supervisory Board Rules, members of the Supervisory Board are in principle appointed for a maximum term of four years. Upon expiry of the term of appointment, a Supervisory Board member can be re-appointed provided that the maximum term of being a member does not exceed three terms or twelve years, as the case may be. The General Meeting is entitled to appoint members of the Supervisory Board. The Supervisory Board is entitled to make a non-binding nomination for each vacancy. Within the Supervisory Board, the Selection and Appointment Committee prepares the proposal for a nomination.

The Supervisory Board consisted of the following members in 2006:
Mr. Tuncay Ozilhan, Chairman
Sir David Logan
Mr. Ali Tigrel
Mr. Alex –Christos Komninos
Mr. Gauthier De Biolley

2. Independence of the Supervisory Board Members

The Dutch Corporate Governance Code (Code) prescribes that the Supervisory Board consists of independent persons, except for one. On this point EBI does not fully comply with the Code. Messrs. Ozilhan and Tigrel cannot be considered as independent. However EBI considers it important to maintain an adequate number of persons on the Supervisory Board with knowledge of EBI's business.

EBI has gradually replaced its members of the Supervisory Board except for the chairman, Mr. Ozilhan. Mr. Tigrel is a totally non-executive Board Member of EBI's shareholder Anadolu Efes. EBI endorses the best practice of the Code, but in a strict formal sense, Mr. Tigrel may not be regarded as an independent Supervisory Board member of EBI. However EBI does not consider Mr. Tigrel's position as a totally non executive Board Member of Anadolu Efes to be a material impediment to Mr. Tigrel's independence.

Sir David Logan, Mr. Komninos and Mr. de Biolley are independent members.

EBI is of the opinion that proper supervision on the Board of Management is not negatively effected by the current situation of non-independent members of the Supervisory Board.

3. Meetings

The Supervisory Board had six regular meetings and two meetings by telephone in the year 2006 with the members of the Board of Management being present. All meetings were attended by the majority the Supervisory Board. The Supervisory Board also met on its own. Two meetings were held in Istanbul, Turkey; one meeting was held in Moscow, Russia and the other meetings were held in Amsterdam in the Netherlands.

4. Evaluation of the Functioning of the Supervisory Board

Topics of the meetings of the Supervisory Board included, but not limited to:
- EBI's general strategy, including strategic business plans;
- EBI's financial performance and financial developments;
- Corporate Governance
- The performance and internal division of tasks of the Board of Management;
- Operational development of EBI's subsidiaries;
- Discussion of business development projects as well as new investments and acquisitions; and
- The Supervisory Board's own performance.

In addition to these topics special attention was paid in 2006 to the acquisition and integration of KV Group in Russia, obtaining a bridge loan of USD500 million and a syndicated loan of USD300 million for EBI, increasing share capital with USD300 million through a Rights Issue (that together with the above mentioned syndicated loan, enabled EBI to fully repay the aforementioned bridge financing), minority buy-outs in Moscow Efes Brewery in Russia (12.4% and 7.5%, respectively), disposal of 50% shares in Interbrew Efes Brewery in Romania, starting up a Cost Benchmarking Project and establishing central sales and logistic departments. Further, special advice and emphasis was given with respect to the strategy and business plan for Serbia.

5. Supervisory Board Committees

In line with the Code, the Supervisory Board has created three standing committees: the Audit Committee, the Remuneration Committee and the Selection and Appointment Committee. In addition the Supervisory Board established a Corporate Governance Committee. The committees are appointed by the Supervisory Board from among its own members.

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i. Audit Committee

Pursuant to the rules governing the Audit Committee, the Audit Committee is comprised of two Supervisory Board members and meets at least twice a year. Until 6 June, 2006 the Audit Committee was chaired by Mr. Mustafa Uysal, who resigned from the Supervisory Board and was replaced by Mr. Gauthier De Biolley. Mr. De Biolley was subsequently appointed to be the chairman of the Audit Committee. The other member is Mr. Ali Tigrel.

Pursuant to the governing rules the Audit Committee, supervises, monitors and advises the Board of Management on risk management and control systems, annual reports, on the provision of financial information, on the role and functioning of the internal audit department, amongst other issues. The CFO was invited to attend the meetings, as well as the external and the internal auditors. The Audit Committee is obliged to hold a meeting at least once a year with the external auditor of EBI without any of the members of the EBI Board of Management and the internal auditors being present. In 2006 the Audit Committee met twice, of which one meeting was to discuss the work plan of the internal auditor. The Audit Committee met once with the external auditors of EBI in 2006 without the Board of Management. In March 2007, the Audit Committee met with the external auditors and discussed the main issues of the draft auditors' report of 2006.

ii. Selection and Appointment Committee

Pursuant to the rules governing the Selection and Appointment Committee, this committee is composed of a minimum of two members. Effective as of August 23, 2004, this Committee is chaired by Mr. Tuncay Ozilhan. The other members are Sir David Logan who joined the committee in July 2006 and Mr. Alex-Christos Komninos. Mr. Ibrahim Yazıcı stepped down in June 2006 as member.

The Selection and Appointment Committee prepares selection criteria and appointment procedures for members of the Board of Management and the Supervisory Board. It also prepares and makes proposals for (re)-appointments.

The Selection and Appointment Committee met once in 2006. The composition of the Board of Management and the Supervisory Board was discussed. In 2006 Mr. Roelofs was appointed as member of the Board of Management, when Mr. Van Spall resigned. Early 2007 Mr. Jimenez was appointed as member of the Board of Management, when Mr. Boyacioglu resigned. On June 6, 2006 Supervisory Board members Messrs. Yazici, Uysal and O'Neill stepped down and Mr. De Biolley was appointed as member of the Supervisory Board.

iii. Corporate Governance Committee

In 2006 the Supervisory Board established a Corporate Governance Committee with the purpose to monitor the compliance of EBI with the Code and to inform the Supervisory Board on this topic. The Corporate Governance Committee met once in 2006. The Corporate Governance Committee is comprised of three Supervisory Board members and is chaired by Mr. Komninos. The other members are Sir David Logan and Mr. Gauthier de Biolley.

iii. Remuneration Committee

The Remuneration Committee is comprised of three Supervisory Board members and meets at least twice a year. Effective as of 23 August 2004, the Remuneration Committee is chaired by Sir David Logan. The other members are Mr. Tuncay Özilhan and Mr. Alex-Christos Komninos, who joined the Remuneration Committee as of June 9, 2006.

Pursuant to the rules governing the Remuneration Committee, this Committee prepares proposals to be presented to the Supervisory Board concerning the general Remuneration Policy for the members of the Board of Management in order to be presented to the General Meeting of Shareholders of EBI for approval and adoption.

On 27 May 2005, the General Meeting of Shareholders approved and adopted the Remuneration Policy which was drafted by the Remuneration Committee.

The Remuneration Committee also monitors the individual remuneration of each of the members of the Board of Management and checks whether they are in line with the general Remuneration Policy as adopted by the General Meeting of Shareholders. In addition, the Remuneration Committee prepares the annual Supervisory Board remuneration report on the application of the adopted Remuneration Policy.

In 2006, the Remuneration Committee met four times to discuss remuneration of senior management in general and the remuneration report and further to assess the application of the Remuneration Policy.

6. Remuneration policy of EBI

The Remuneration Policy of EBI was approved by the General Meeting of Shareholders of EBI held on 27 May, 2005. There are no changes to the Remuneration Policy.

The aim of the remuneration policy of EBI is to attract and retain talented members of the Board of Management and to achieve this aim with due observance of best practice corporate governance principles.

Elements of the Remuneration Package
The total remuneration packages of the members of the Board of Management consist of one or more of the items below, depending on the duties and responsibilities of each member:

I. Base salary, determined according to the inflation rate of each year and individual performance level.
II. Cash bonus, based on base salary or in case of non-residents, based on a pre-determined fixed amount and linked to the individual contribution to the achievement of EBI's annual targets.
III. Other benefits.

At the end of each year, the base salary of each Board of Management member is evaluated and adjusted for the subsequent year in the light of his or her performance scores and taking into account inflation.

The remuneration structure as adopted by the General Meeting of Shareholders on 27 May, 2005, has been maintained in the general Remuneration Policy in 2006. As a corporate policy, EBI does not provide loans to members of the Board of Management. EBI is of the opinion that the remuneration packages of its current members of the Board of Management are in line with the principles of the Code. Proposals for the remuneration of any new members of the Board of Management after adoption of the general Remuneration Policy are made by the Remuneration Committee in line with this policy. In 2006 this was done for Mr. C. Roelofs and in early 2007 for Mr. A. Jimenez.

Besides the base salary, members of the Board of Management are eligible to receive cash annual bonuses according to (a) the degree of realization of the targets of EBI, or Key Performance Indicators (KPIs) as explained below, and (b) individual performance. The first element, the degree of realization of targets of EBI, is derived from the "Strategic Business Plan". This plan sets the targets for the coming year and has to be approved by the Supervisory Board. Based on the Strategic Business Plan, KPIs are identified for the year. Each KPI is awarded a relative weight for the evaluation of total performance. In this way the targets of the Company are precisely made clear to the Board of Management in advance. Each year, KPI weights are re-examined and revised if needed. If a Strategic Business Plan is revised during a calendar year, the new targets and KPIs are notified to the members of the Board of Management by the Supervisory Board.

The ratio of these two components in total annual salaries was as follows in 2006:

- Non-variable component (76%)
- Variable component (24%)

It is envisaged that these ratios should remain the same in subsequent years. The factors determining the variable component of salaries do not include comparisons with peer group companies.

Other benefits granted to a member of the Board of Management may comprise a company car, a mobile telephone, rent contribution and health insurance contribution. One or more of these benefits may be included in the remuneration package, subject to the job description and responsibilities within EBI of the Board of Management member.

Board of Management members have no right to options, shares, or other variable remuneration components which are not performance related. There are no current pension schemes in the Netherlands.

There are no standard arrangements for early retirement of members of the Board of Management. In 2006 Board of Management member Mr. Van Spall resigned and did not receive a redundancy payment in that year.

Term of Management Board Contracts

The type of the employment contracts of the individual members of the Board of Management is an employment contract for an indefinite period of time. The employment contracts of Mr. Boyacioglu, Mr. Jimenez and Mr. Zorlu are regulated in accordance with Turkish Labor Law, while the employment contract of Mr. Sarman is drafted in accordance with Dutch Labor Law. The services of Mr. Van Spall (until July 28, 2006) and Mr. Roelofs (as of July 28, 2006) were rendered through a special assignment service contract. Terms of notice of termination, dismissal and redundancy terms vary according to seniority and in accordance with the applicable laws governing the employment and assignment contracts.

For the members of the Board of Management whose contracts are being drafted and governed according to Turkish law, dismissal and redundancy payment clauses are structured according to Turkish Labor Law. For the member of the Board of Management who is employed in accordance with Dutch law, the aforementioned clauses are structured according to Dutch Labor Law.

Remuneration 2006

In order to give an impression of the application of the remuneration elements I, II and III described above, the remuneration packages of the members of the Board of Management in 2006 were made up as follows:

Mr. Sarman: elements (I), (II) and (III);
Mr. Van Spall: fixed directorship fee, to be considered as element (I).
Mr. Roelofs: fixed directorship fee, to be considered as element (I).

This application of the company's remuneration policy is intended to be maintained for the members of the Board of Management in 2007. In 2006, two members of the Board of Management did not receive any remuneration from EBI.

In 2006, the members of the Supervisory Board and the Board of Management received a total gross remuneration of USD 125,000 (2005 – USD 85,000) and USD 284,000 (2005 – USD 259,000) respectively.

7. The Articles of Association

EBI is listed on the London Stock Exchange since October 2004. The Articles of Association are available on EBI's web site at www.efesinternational.com.

25 April 2007
On behalf of the Supervisory Board:

Tuncay Özilhan
Chairman of the Supervisory Board

REPORT OF THE MANAGEMENT BOARD

1. The Management Board

Functioning and Strategy of the Management Board

Pursuant to Dutch law and pursuant to the Articles, the Board of Management is responsible for the overall management of EBI. The Board of Management has adopted Board of Management Rules that regulate in detail its tasks and responsibilities. The Board of Management acts under the supervision of the Supervisory Board. Pursuant to the Articles, members of the Board of Management are appointed for a maximum term of four years, provided that the the term of appointment will end at the closing of first general meeting of shareholders in the forth year following the year of appointment. Pursuant to the Board of Management Rules, a member of the Board of Management can be re-apppointed for another four year term after the expiration of the first four year term. New members of the Board of Management are appointed by the General Meeting. The Supervisory Board is entitled to make a non-binding nomination for each vacancy. Within the Supervisory Board, the Selection and Appointment Committee makes the proposal for a nomination. The Board of Management consisted in 2006 of the following four members: Mr. Ahmet Boyacioglu, Chairman, Mr. Hursit Zorlu, Mr. Demir Sarman and Mr. Carlos P.M. Roelofs. Mr. Ahmet Boyacioglu has retired, and subsequently on March 6, 2007 Mr. Alejandro Jimenez has replaced him.

New Appointments

Mr. Roelofs was appointed to the Board of Management in 2006, replacing Mr. Van Spall.

Meetings

The Board of Management meets at least once a month and in addition whenever one or more of the members have requested a meeting. In 2006, all resolutions were passed with unaminous vote. Pursuant to the Articles, several transactions require the approval of the Supervisory Board. In 2006, all transactions subject to the approval of Supervisory Board were approved by the Supervisory Board.

Evaluation of the Functioning of the Management Board

Topics of the meetings of the Board of Management included, among other items:

- EBI’s general strategy;
- EBI’s day-to-day financial operations;
- Planning and monitoring the marketing strategy of EBI;
- Assisting and supervising the operations of EBI’s subsidiaries;
- Investigating and executing of business development progress as well as investments and acquisitions;
- The performance and internal division of tasks of the Board of Management.

In addition to these topics the Board of Management concentrated on the acquisition and integration of the KV Group in Russia throughout 2006. The Board of Management was also occupied with obtaining a bridge loan of USD500 million and a syndicated loan of USD300 million for EBI, increasing share capital with USD300 million through a Rights Issue (that together with the above mentioned syndicated loan) enabled EBI to fully repay the aforementioned bridge financing and the minority buy-outs in Moscow Efes Brewery in Russia (12.4% and 7.5%, respectively). Other significant topics of the year 2006 were disposal of 50% shares in Interbrew Efes Brewery in Romania, starting up a Cost Benchmarking Project and establishing central sales and logistic departments.

2. Operational Review

Sales Volumes

EBI’s consolidated sales volume reached 11.7 million hectoliters (“mhl”) in 2006, by growing 31% over the previous year. The growth was fueled by the successful organic growth in operating markets coupled with the inorganic growth contributed by the KV Group, which EBI acquired in February 2006. Excluding the sales volumes of KV Group brands, the total sales volume was up 8% in 2006.

In addition excluding the sales volumes of Efes Romania, which EBI disposed of all of its 50% share in August 2006, from both 2005 and 2006, the total underlining organic volume growth of EBI in 2006 was 10%.

In the 12 months period ending December 31 2006, sales volume in Russia was up 44% over previous year. By excluding the sales volume of KV Group brands, EBI's organic growth in Russia was 10%. EBI maintained its #4 position in Russia and had 9% market share as of end of 2006 (AC Nielsen).

In Kazakhstan EBI recorded 17% sales volume growth in 2006 over previous year and gained one percent market share reaching 18% while maintaining its #2 position in the market (AC Nielsen).

In Moldova EBI's sales volume in 2006 increased by 12% over previous year, while only beer sales volume was up by 17%. As of end of 2006 EBI has 66% volume market share in Moldova (MEMRB).

In Serbia, where the sales volume was down 10% in 2006, EBI is the fourth largest brewer with 13% market share (AC Nielsen).

Net Sales

In 2006 EBI's consolidated net sales revenue grew 33% over previous year and reached 639 million USD. The revenue growth was ahead of the volume growth and was driven by local price increases through effective pricing policy and positive foreign currency effect, in spite of an unfavorable brand mix impact, due to increased share of economy brands in EBI's total sales.

Net sales revenue in Russia in 2006 grew by 39% over 2005. Although EBI's organic revenue growth was ahead of the organic sales volume growth in 2006, EBI's average price in Russia slightly declined due to the inclusion of economy segment KV Group brands in EBI's brand portfolio.

In Kazakhstan net sales revenue in 2006 grew by 40%, mainly driven by the local price increases in the market.

Net sales revenue in Moldova increased by 13% in 2006 over previous year, outpacing the volume growth.

Although net sales revenue in Serbia declined 5% in 2006 over previous year, average prices increased in Serbia, where EBI has the intention of undertaking further changes to its business model in the market to improve the performance going forward.

Profitability

EBI's gross profit in 2006 increased 36%, faster than the revenue growth resulting in a higher gross profit margin of 49% vs 47% in 2005. The acquisition of KV Group enabled EBI to reach a lower cost base which facilitated a more effective control of costs. Moreover EBI is able to self supply a majority of its malt and pre-form requirements, following the KV Group acquisition with an additional 93.000 tons of malt production capacity over EBI's existing malting capacity of 46.000 tons, as well as a pre-form production capacity of 1.3 million units per day.

EBI's operating profit in 2006 reached 55 million USD, up by 11% over 2005. EBI's marketing expenses as a percentage of net sales remained constant in 2006 vs 2005 despite the inclusion of new licensed brands "Bavaria Premium" and "Bavaria Malt" in April 2006 in EBI's brand portfolio in Russia, in addition to the relaunches of acquired KV Group Brands "Krasny Vostok" and "Zhigulevskoe". However other operating expenses including distribution, consultancy and personnel expenses increased ahead of revenues, reflecting the impact of integration of KV Group. This increase in operating expenses offset the gain on gross profit, resulting in a slight contraction in profit from operations margin of 9% in 2006 from 10% in 2005.

Ebitda Breakdown

In 2006 EBI's EBITDA increased by 18% over the previous year and reached 113 million USD. EBITDA margin contracted to 18% in 2006 from 20% in 2005, as a result of the integration costs occurred in 2006, impact of the EBITDA loss in Serbia and to a lesser extent the disposal of Efes Romania, a positive EBITDA contributor to EBI's business.

EBI's financial expenses were up significantly in 2006 due to the increased indebtedness owing to the financing of the KV Group acquisition and minority buy-outs in Moscow Efes Brewey ("MEB"), one of EBI's operating subsidiaries in Russia. The increase in the interest expense was partly offset by the 9 million USD foreign exchange gain in the period, which is fully attributable to the depreciation of USD (EBI's reporting currency) versus Euro and major local currencies where EBI operates.

As a result, EBI's net income in 2006 increased by 2% over the previous year and reached 21 million USD.

Net Financial Debt

EBI's net financial debt was 308 million USD as of 31.12.2006 vs 14 million USD as of 31.12.2005. The increase in the level of net financial debt was due a Bridge Loan Facility in the amount of 500 million USD utilized for the funding of KV Group acquisition and minority buy-outs in MEB. The Bridge Loan Facility was refinanced in September 2006 by means of a 3 year syndicated term loan amounting to 300 million USD. EBI utilized the syndicated term loan to partly repay the Bridge Loan Facility. In November 2006, EBI conducted a 300 million USD capital increase in the form of a Rights Issue to existing shareholders. 200 million USD of the proceeds of the Rights Issue was used to repay the balance of the Bridge Loan Facility.

Acquisitions, Disposals and Capex

In February 2006, EBI acquired 92.3% of KV Group located in Russia, with a total cash consideration of USD 366.7 million. Later in June 2006, EBI additionally acquired 0.5% of KV Group from minority shareholders for a total cash consideration of USD 1.6 million.

In February, EBI acquired 12.4% minority shares in MEB from Amsterdam Brewery Investments B.V., for a total cash consideration of USD 108.9 million and increased its shareholding in MEB to 83.4%.

In August 2006, EBI sold all of its 50.0% stake in Efes Romania to its JV partner InBev for a cash consideration of USD 26.6 million.

In October 2006, EBI acquired an additional 7.5% of MEB from EL & EL for a total cash consideration of USD 88.5 million, thereby increasing its shareholding in MEB to 90.9%.

In December 2006, EBI acquired another 7.5% of share capital in Efes Weifert by cash contributions to its share capital through a capital increase and accordingly increased its share up to 91.0%.

In addition to acquisition, EBI increased the annual brewing capacities in Russia and Kazakhstan to 20.2 mhl and 1.3 mhl, respectively.

Marketing

EBI views its brand portfolio as a key asset, as management believes the image of a brand and its message are essential elements in a consumer's choice of beer. EBI seeks to have a brand portfolio that comprehensively covers the principal beer segments in which it operates, principally the premium, mainstream and economy segments. EBI focuses on those segments in the Territories that offer growth in sales without prejudicing profitability. Management believes that local positioning of its brands is a key element in facilitating better understanding of, and responses to, the needs of local consumers. With respect to the Efes brand, marketing efforts are coordinated with the marketing strategy of Anadolu Efes and are aimed at reinforcing the image of the brand as a premium international beer. EBI focuses on capitalising on the synergies associated with being available in developing beer market segments. Depending on the specific markets these may include the most profitable and/or fastest growing segments as well as the largest segments in the beer markets in which EBI operates. Each operating company funds all marketing activities within its Territory, both in respect of the Efes licensed brand and its local brands.

EBI markets its brands extensively in each of the Territories (Russia, Kazakhstan, Moldova and Serbia) through a broad range of marketing channels, including, among others, television, billboard and radio advertising and consumer promotions. EBI also sponsors high profile sports, music festivals and other special events, thereby giving broad exposure to the local brands and to the Efes brand. Sponsorships include the promotion in certain Territories of the "Efes Pilsen" basketball team by Anadolu Efes, which ranks number one in terms of total number of championships won in the Turkish basketball league and has enjoyed consistent success in the

European Championships. From 2003 to 2005, Efes Russia sponsored the World and European Ice Figure Skating Championship with the Efes brand. In Russia, Efes Russia also promotes the Stary Melnik brand through sponsorship of the national football (soccer) team. In 2005, Efes Moldova promoted the Chisinau brand through sponsorship of the Moldovan National Olympic Team and through the organization of Youth Sport Federation. In addition to sports sponsorships, the Operating Companies sponsor cultural events such as music concerts, which attract widespread media attention and reach a broad base of consumers.

The operating companies also organise on-premise promotional activities, conduct regular point-of-sale visits, and arrange special promotions for key accounts.

Efes Beer Group Support

EBI receives management support from the Efes Beer Group ("EBG") and the benefit of administrative services including the provision of management systems, strategic planning and procurement services (such as assistance in the selection of raw materials and ensuring that sufficient supplies of any required raw materials are available, which includes the procurement of raw materials from abroad in the event that raw materials are not available through customary domestic channels). EBI also receives from the EBG marketing, distribution and sales services, (including assistance with customer service, statistical analysis and market research and assistance in developing and evaluating established and new markets), human resources management services and training as well as technical support. The relationship between EBI, its operating subsidiaries and EBG are formalised through certain long-term management support agreements.

3. Forecast for the Next Year

Despite the 13% CAGR of the beer markets in the past 10 years in the territories in which EBI operates, per capita beer consumption levels, which is below comparable averages along with favorable demographics and the increasing disposable income levels are expected to contribute to the expected 4% annual further growth in EBI's operating markets in the next 5 years (CAGR 2006-2011E/ Canadean). EBI is committed to deliver organic volume growth ahead of the projected growth in its operating markets while delivering strong top line growth, with a focus on improved profitability. Accordingly special emphasis will be put on the cost saving initiative, which was kicked off in all of EBI's breweries in 2006. This project is expected to bring forth savings on EBI's cost base and to start to deliver its first positive results by the end of 2007.

EBI plans to maintain its competitive market position amongst the leading brewers in each of the markets in which it conducts its operations, to grow its beer operations throughout its existing markets and expand into new compatible markets where feasible.

4. Risk Profile

The following presentation analyses significant strategic, operational, financial and regulatory risk factors. The information does not purport to be exhaustive and is not listed in order of priority. Additional risks and uncertainties not presently known to EBI, or that EBI currently deems immaterial, could also have an adverse effect on its business.

Strategic risk

A Decline in Consumer Demand
Demand for beer depends on several factors including demographic factors, weather conditions and consumer preferences as well as factors relating to discretionary consumer spending, including the general condition of the economy and general levels of consumer confidence, particularly in emerging markets. Reduced consumption of beer in any of the Territories could have a material adverse effect on EBI.

Economic Deterioration or Instability
The governments of the Territories have at times implemented policies of economic reform and stabilisation. These policies have, for example, involved liberalising prices, reducing defence expenditure and subsidies for state-owned enterprises, privatising state-owned enterprises, reforming the tax and bankruptcy systems, and introducing legal structures designed to permit private, market-based activities and foreign trade and investment.

At the same time depending on the improvements in the macroeconomic conditions of the countries in these territories, the level of average disposable income in the Territories have improved. Given the high correlation between average disposable income and per capita consumption in developing markets, changes in the macroeconomic conditions could have substantial impact on the beer market in EBI's territories.

Operational risks

Business Growth

Management expects that, in line with trends in Western Europe and other parts of the world, consolidation of the beer industry will continue and even accelerate in the Territories. EBI's ability to participate in the consolidation of the beer industry in the countries in which it operates, in order to benefit from further economies of scale, better satisfy customer needs and compete effectively against other international brewers, will depend upon its ability to assess, and to adjust its rate of expansion in accordance with, demand for beer products within the Territories and other parts of the CIS, the Balkans and Eastern Europe. Although to date EBI has been able to manage successfully the growth of its business, if EBI is unable to manage growth effectively, including, among other things, by finding qualified management or deploying and replicating its business model and technical infrastructure, its business or financial condition could be materially adversely affected.

An Increase in the Prices of Certain Commodities and Raw Materials

EBI purchases commodities and raw materials for the production of beer. These commodities and raw materials include barley, malt, aluminium cans and PET containers and, to a lesser extent, corn grits, rice and hops. Although EBI produces malt in large quantities the subsidiaries depend to varying degrees on third party supplies of malt. The prices of all these commodities can fluctuate widely and are determined by global supply and demand and other factors over which EBI may not have control. EBI rarely engages in hedging of raw material costs. Accordingly, any increases in commodity and raw material prices could have a direct and significant impact on EBI's costs, which could have a material adverse effect on EBI.

Acquisitions and Business Integration

EBI's strategy includes growth through acquisitions. In making decision to acquire a business, EBI makes certain judgments as to the future prospects of the business and its integration into EBI's business based on the findings of due diligence process. Such judgments relate to the future growth and stability of the economy, the stability of the government, positive and negative consumer trends towards consumption of beer and soft drinks in the country, the introduction of new or increased competition in the market, fluctuations in exchange rates, the introduction of new laws, regulations, taxes or duties and other factors specific to each market. In addition, the integration of an acquired business into EBI's business and financial organisation is a significant process which covers a wide range of areas including technical, sales, operational, financial, information technology, human resources and legal in order to achieve the alignment of the acquired business with EBI's operations. Whilst integrations to date have been progressed in line with Management's expectations, any negative impact from any of these factors could materially adversely affect the performance of the acquired business and that of EBI.

Financial risks

Cash Generation and External Financing

The planned development of EBI's business and implementation of its proposed investment programme are dependent on EBI's ability to generate sufficient cash flow from its operations and to obtain bank or other debt financing on acceptable terms or raise additional equity finance to fund such programme. Although EBI's current investment programme consists principally of capital expenditures necessary to maintain and effect moderate capacity increases at its existing operations, EBI is constantly evaluating acquisition opportunities that would require significant additional resources. If EBI generates insufficient cash flow or cannot access other financing alternatives including but not limited to additional capital to fund its planned expenditures, some or all of its planned investments may be significantly delayed or abandoned. Any such delay or abandonment could have a material adverse effect on EBI.

Fluctuations in the Exchange Rates

EBI operates through its subsidiaries in Territories and U.S. Dollar is the functional and presentation currency of the group. Foreign currencies play a significant role in the economies of the Territories. The significant part of cash outflows related to financing activities as well as some part of accounts payable balances are hard currency denominated, while cash inflows are primarily denominated in national currencies of the Territories. Consequently, any significant decline in the value of the measurement currencies of the subsidiaries against U.S. Dollars could have a negative effect on the subsidiaries' financial position and results of their operations.

Regulatory risk

Legal System
Risks associated with the legal systems of the Territories include, to varying degrees (i) inconsistencies between and among laws including tax legislation, presidential decrees, edicts, and governmental and ministerial orders and resolutions; (ii) conflicting local, regional and federal rules and regulations; (iii) the lack of judicial or administrative guidance on interpreting the applicable rules; (iv) the untested nature of the independence of the judiciary and its immunity from economic or political influences; (v) the relative inexperience of jurists, judges and courts in interpreting recently enacted legislation and complex commercial arrangements; (vi) a high degree of discretion on the part of governmental authorities; (vii) variability in the interpretation and application of tax laws and regulations by the respective tax authorities and (viii) a lack of binding judicial precedents. Such immaturity of legal systems, processes and practice could adversely affect EBI's business or financial condition.

Tax Environment
Legislation and regulations regarding taxation and foreign currency transactions in most of the territories in which the EBI operates continue to evolve as the governments manage the transformation to a market-oriented economy. Various regulations are not always clearly written and their interpretation is subject to the opinions of the local, regional and national tax authorities, the Central Bank and Ministry of Finance. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose significant fines, penalties and interest charges. Although management believes that it has paid or accrued all taxes that are applicable, these facts create tax risks in the territories in which EBI operates substantially more than typically found in countries with more developed tax systems.

Excise Duties and Other Taxes on Beer
As a part of regulation of the beer industry, the beer sales in the territories are subject to taxation and government surcharges that include excise and value-added taxes, which from time to time changes. Imposition of, or increases in, excise or other taxes on beer could negatively affect the brewing industry with increased prices for consumers. Reduced consumption of beer in any of the Territories could have a material adverse effect on EBI.

Restrictions on Beer Advertising, Sales or Consumption
The implementation of restrictions on, or the prohibition of, beer advertising in the mass media or certain sales channels could have a material adverse effect on the results of operations of EBI. For example, in August 2004, Russia passed legislation placing restrictions on beer advertising. Those restrictions include, among other things, a ban on the broadcasting of beer commercials on television and radio between 7 a.m. and 10 p.m., a prohibition on the promotion of beer as being "crucial in achieving success in sports and personal life" and a prohibition on the use of images of people or animals on beer advertising. The provisions of the new law took effect on 5 September 2004, with the exception of the restriction on the use of images of people or animals, which became effective on 1 January 2005. Kazakhstan has also imposed a complete prohibition, which became effective on 1 January 2004, on alcohol advertising in the mass media. As a result of this legislation, growth in each of those beer markets could be materially adversely affected, and new product development could become more challenging, which could have a material adverse effect on EBI. In addition, in April 2005, Russia passed legislation which among other things, places restrictions on the sale and consumption of beer in certain public places (including sports and cultural organisations) and imposes a minimum age of 18 years on the purchase of alcoholic beer. Although EBI's management believes that such legislative changes in Russia have not yet materially affected its operations, financial condition, or results, there cannot be any assurance that these or any other changes will not have such an effect in the future.

5.Internal Risk Management

Internal risk management principally enables EBI to run its operations effectively, to keep the reliability of the financial reporting and to comply with laws and regulations. Internal risk management consists of several interrelated components and is an integrated part of the management process. The internal risk management and control systems are adequate and effective with a reasonable level of assurance, although such systems can never provide absolute assurance. EBI continuously reviews and adopts its internal risk management and control systems to respond to the changing risk profile and dynamic growth.

Strategic Business Planning is a key element to monitor the achievement of business objectives. The approved strategic business plans of the operations set the operational and financial objectives. Such objectives include key performance indicators which provide the basis to monitor actual performance compared to the targets. The procedures of internal control systems which are designed to provide reasonable assurance for the successful flow of activities such as sales, production, marketing, supply chain and finance are already in place or are being improved.

EBI prepares its financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by European Union. Operations prepare their financial reports based on EBI's accounting policies and presentation standards. External auditors report on the consolidated financial statements and their explanatory footnotes of EBI and its subsidiaries. This provides additional assurance on true and fair presentation of the financial reporting.

EBI operates in different countries, environments and cultures which bring varying degrees of risk and uncertainty. Due to the nature and size of the business, EBI employs a multi-layered internal control structure. Local management, under the guidance of the Board of Management, is responsible for implementing, operating and monitoring an effective internal control system, which is designed to provide reasonable assurance on integrity of the information processing, preventing loss of resources, achieving the business objectives and fair presentation of financial reporting. The Board of Management, under the supervision of the Supervisory Board and in particular its Audit Committee, oversees the effectiveness of internal risk management.

6. Investor Relations Function

EBI undertakes an active investor relations programme with its shareholders and the wider financial community since its listing in October 2004. The Company immediately announces the important operational developments through news releases as they occur and also gives presentations following the release of its results for existing shareholders, potential institutional investors and financial analysts. EBI also attends international conferences for the institutional investors.

All news releases announced publicly as well as copies of the presentations given are made available on EBI's website at www.efesinternational.com together with other information including but not limited to operations, financial performance and corporate governance.

In 2006, EBI presented its results quarterly through conference calls with institutional investors and financial analysts. During 2006, in addition to around 182 face-to-face contacts with investors, shareholders and analysts, EBI attended five conferences organized abroad.

The Management Board

Alejandro Jimenez
Mehmet Hurşit Zorlu
Mehmet Demir Şarman
Carlos P.M. Roelofs

FINANCIAL STATEMENTS

Efes Breweries International N.V.

BALANCE SHEET
As at December 31, 2006 (Before proposed appropriation of the result)
(Currency – Thousands of U.S. Dollars unless otherwise indicated)

ASSETS

	Notes	2006	2005
Current assets			
Cash and cash equivalents	4	**143,250**	89,760
Due from related parties	5, 17	**16,341**	12,383
Prepayments and other current assets	6	**368**	1,019
Total current assets		**159,959**	103,162
Non-current assets			
Investments in subsidiaries, joint ventures and securities	7	**604,466**	314,813
Property, plant and equipment	8	**38**	55
Intangible assets	9	**464,538**	164,089
Deferred tax assets		**7,269**	1,044
Prepayments and other non-current assets	10	**173**	236
Total non-current assets		**1,076,484**	480.237
Total assets		**1,236,443**	583,399

LIABILITIES AND EQUITY

	Notes	2006	2005
Current liabilities			
Trade and other payables	11	**59,288**	108,675
Due to related parties	17	**10**	-
Current portion of long-term borrowings	12, 20	**9,859**	5,285
Total current liabilities		**69,157**	113,960
Non-current liabilities			
Long-term borrowings-net of current portion	12	**301,493**	10,000
Other non-current liabilities	13, 20	**103,100**	76,601
Total non-current liabilities		**404,593**	86,601
Equity			
Issued capital	14	**237,488**	156,921
Share premium		**319,318**	101,626
Currency translation reserve		**75,520**	14,532
Retained earnings		**109,759**	89,637
Current year net profit		**20,608**	20,122
Total equity		**762,693**	382,838
Total liabilities and equity		**1,236,443**	583,399

The accompanying policies and explanatory notes on pages 18 through 35 form an integral part of these financial statements.

INCOME STATEMENT
For the year ended December 31, 2006
(Currency – In thousands of U.S. Dollars unless otherwise indicated)

	2006	2005
Share in net profit of consolidated subsidiaries	28,528	28,635
Other results, net of income taxes	(7,920)	(8,513)
Net Profit	**20,608**	**20,122**

The accompanying policies and explanatory notes on pages 18 through 35 form an integral part of these financial statements.

Efes Breweries International N.V.

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2006
(Currency – In thousands of U.S. Dollars unless otherwise indicated)

	Share Capital	Share Premium	Currency Translation Reserve	Retained Earnings	Current year net profit	Total
Balance at December 31, 2005	**156,921**	**101,626**	**14,532**	**89,637**	**20,122**	**382,838**
Transfer of previous year net profit to retained earnings	-	-	-	20,122	(20,122)	-
Foreign currency translation	-	-	60,988	-		**60,988**
Issue of share capital	80,567	217,692	-	-	-	**298,259**
Total income and expense for the year recognized directly in equity	-	-	60,988	-	-	**60,988**
Net profit for the year	-	-	-	-	20608	**20,608**
Total income and expense for the year	-	-	60,988	-	20608	**81,596**
At December 31, 2006	**237,488**	**319,318**	**75,520**	**109,759**	**20,608**	**762,693**

The accompanying policies and explanatory notes on pages 18 through 35 form an integral part of these financial statements.

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

1. GENERAL

Efes Breweries International N.V. (the Company) was incorporated in the Netherlands on October 2, 1996. The registered address of the Company is Strawinskylaan 1227, 1077XX Amsterdam, the Netherlands.

The Company offered its ordinary shares, each with a nominal value of EUR 1 per share, in the form of global depositary receipts (GDR's) representing an interest in five shares constituting 12,594,228 GDR's. The GDR's have been listed on the London Stock Exchange.

The parent of the Company is Anadolu Efes Biracılık ve Malt Sanayii Anonim Şirketi (Anadolu Efes-the Parent Company). Anadolu Efes is a Turkish Corporation, which was established in Istanbul in 1966. The operations of Anadolu Efes consist of production of beer and its raw materials. Certain shares of Anadolu Efes are listed on the Istanbul Stock Exchange.

Based on the requirements of Dutch Civil Code, a full set of financial statements comprise of report of management board, consolidated financial statements and Company alone financial statements and other information. This report includes report of management board, Company alone financial statements and other information. The consolidated financial statements are separately issued on March 30, 2007. For a better understanding of financial postion of the Company, this report should be read in conjunction with the consolidated financial statements.

Nature of Activities of the Company/Group

The Company acts as a Dutch Holding company, facilitating investments in breweries.

List of Subsidiaries

The subsidiaries and the shareholding percentages at December 31, 2006 and December 31, 2005 were as follows:

	Place of Incorporation	Principal Activities	Effective Shareholding and voting rights %	
			December 31, 2006	December 31, 2005
CJSC "Moscow-Efes Brewery" (Efes Moscow) (iii), (vi)	Russia	Production and marketing of beer	**90.85**	71.00
JSC «AMSTAR» (Amstar) (i)	Russia	Production of beer	**90.85**	71.00
ZAO Efes Entertainment (Efes Entertainment) (i)	Russia	Entertainment	**90.85**	60.35
CJSC.Rostov Beverage (Rostov Beverages) (i)	Russia	Production of beer	**90.85**	71.00
JSC «Brewing union «Krasny Vostok - Solodovbeer» (KV Group) (iii), (vi)	Russia	Production and marketing of beer	**92.85**	-
LLC "KV - SibPivCompaniya"(iv)	Russia	Production of beer	**97.53**	-
LLC "Vostok solod"(iv)	Russia	Production of malt	**92.85**	-
LLC "Krasny Vostok – Invest"(iv)	Russia	Finance	**92.85**	-
LLC „T'sentralny Torgovy Dom „Krasny Vostok"(iv)	Russia	Trading house	**92.85**	-
CJSC "MTD "Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
CJSC „Samarskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
CJSC „Saratovskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
CJSC „Ufimskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC „Barnaulskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

1. GENERAL (Continued)

	Place of Incorporation	Principal Activities	Effective Shareholding and voting rights %	
			December 31, 2006	December 31, 2005
LLC „Volgogradskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC „Voronezhskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC "Ekaterinburgskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC "Kemerovskii Torgovyii Dom„Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC "Krasnodarskii Torgovyii Dom„Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC "Krasnoyarskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC "Kurskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC "Nizhegorodskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC „Nizhnekamskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC „Novosibirskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC „Omskii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC „Permskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC „Sankt-Peterburgskii torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC „Tomskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC „Chelyabinskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
JSC Efes Karaganda Brewery (Efes Karaganda)	Kazakhstan	Production and marketing of beer	**100.00**	100.00
Interbrew Efes Brewery S.A (Interbrew Efes) (ii), (vi)	Romania	Production of beer	**-**	49.99
Efes Vitanta Moldova Brewery S.A. (Efes Vitanta)	Moldova	Production and marketing of beer, soft drinks, low alcoholic drinks and mineral water	**96.50**	96.50
Efes Weifert Brewery d.o.o (Efes Weifert) (vi)	Serbia	Production and marketing of beer	**90.97**	83.53
Efes Zajecar Brewery d.o.o (Efes Zajecar)	Serbia	Production and marketing of beer	**72.96**	72.96
Euro-Asian Brauerein Holding GmbH (Euro Asian)	Germany	Investment company	**100.00**	100.00
Efes Commerce d.o.o Belgrade (Efes Commerce) (v)	Serbia	Production and marketing of beverages	**100.00**	100.00
Brewery Pivdenna C.J.S.C. (Efes Ukraine) (v)	Ukraine	Production and marketing of beer	**100.00**	100.00
Efes Romania Industrie Si Comert S.A. (ERIC) (v)	Romania	Distribution of beer	**99.996**	99.996
Efes Productie S.R.L. (Efes Productie) (v)	Romania	Distribution of beer	**69.70**	69.70

(i) Subsidiaries of Efes Moscow, which are consolidated under its financial statements.
(ii) Together with 0.01% shares owned by Anadolu Efes, the Company's ultimate shareholder, the Company controls 50% of Interbrew Efes.
(iii) Following revised IAS 32 (Financial Instruments: Disclosure and Presentation), a further 9.15% (2005: 21.13%) and 6.70% (2005: nil) interest has also been consolidated for Efes Moscow and KV Group, respectively. Refer to note 30 for detailed information.
(iv) Subsidiaries of KV Group, which are consolidated under its financial statements.
(v) Subsidiaries that are either dormant or in the process of being liquidated.
(vi) Refer to note 3 for detailed information.

1. GENERAL (continued)

Environments and Economic Conditions of Subsidiaries

The countries, in which the consolidated subsidiaries are operating, have undergone substantial, political and economical changes in the recent years. Accordingly such markets do not possess well-developed business infrastructures and the operations in such countries might carry risks, which are not typically associated with those in more developed markets. Uncertainties regarding the political, legal, tax and / or regulatory environment, including the potential for adverse changes in any of these factors, could significantly affect the subsidiaries' ability to operate commercially.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in conformity with the requirements of the Netherlands Civil Code.

As permitted by Section 402, Book 2 of the Netherlands Civil Code, a condensed income statement is presented for the Company itself.

Basis of Preparation

The Company maintains its books and records in accordance with the requirements of the Netherlands' Civil Code. The subsidiaries maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the regulations of the countries in which they operate. The company-only financial statements have been prepared from financial statements of the Company and its subsidiaries and presented in U.S. Dollars. The accounting principles applied in this financial statements are the same as in the consolidated financial statements. In December 2000, ERIC and Efes Productie adopted a plan of liquidation and as a result changed their basis of accounting, from the going-concern basis to a liquidation basis.

Foreign Currency Translation

The Company is domiciled in the Netherlands. The Group transacts most of its business in U.S. Dollars, loans granted by the Company are denominated in U.S. Dollars, and contributions to the capital of the subsidiaries are denominated in U.S. Dollars and dividends from subsidiaries are received in U.S. Dollars.
Accordingly, the USD was determined to be the Company's functional and presentation currency, which reflects the economic substance of the underlying events and circumstances relevant to the Company.

		December 31, 2006	December 31, 2005
	Local Currency	**Functional Currency**	Functional Currency
Efes Moscow	RUR	**RUR**	RUR
KV Group	RUR	**RUR**	RUR
Efes Karaganda	KZT	**KZT**	KZT
Interbrew Efes	ROL	**EUR**	EUR
Efes Ukraine	UAH	**UAH**	UAH
Efes Vitanta	MDL	**MDL**	MDL
Efes Weifert	RSD	**RSD**	RSD
Efes Zajecar	RSD	**RSD**	RSD
Euro Asian	EUR	**USD**	USD
Efes Commerce	RSD	**RSD**	RSD
ERIC	ROL	**ROL**	ROL
Efes Productie	ROL	**ROL**	ROL

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with the maturities of three months or less.

Investments in subsidiaries, joint ventures and securities

Investments in subsidiaries, joint ventures and securities are stated at the Company's share in their net asset value.

The assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date. The income statements of foreign subsidiaries are translated at the exchange rates existing at the dates of the transactions or a weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of the equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the income statement as a component of the gain or loss on disposal.

Each foreign subsidiary of the Company translates its foreign currency transactions and balances into its functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements are recognised in the income statement in the period in which they arise.

Goodwill arising on the acquisition of a foreign entity is treated as an asset of the acquiring company and is translated and recorded at the rate of exchange ruling at the balance sheet date.

Property, Plant and Equipment

Property, plant and equipment of the Company are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation which is calculated on straight-line basis method over the estimated useful life of the assets is as follows:

Machinery and equipment	3-5 years
Vehicles	5 years
Furniture and Fixtures	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognized.

The residual value of assets, useful life and depreciation methodologies are reviewed, and adjusted if appropriate, at each financial year end.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the Company's interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired of a subsidiary at the date of acquisition, and is included under the caption of intangible assets. In 2004, IASB issued IFRS 3 "Business Combinations", revised IAS 36 'Impairment of Assets' and revised IAS 38 'Intangible Assets' which should be applied on acquisitions to the accounting for goodwill in business combinations for which the agreement date is after 31 March 2004.

In addition, starting from January 1, 2005, goodwill acquired in a business combination prior to 31 March 2004 is no longer amortised but tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Goodwill arising on acquisitions after 31 March 2004 is not amortised but subject to impairment test annually. The previous version of IAS 38 was requiring that the useful life of an intangible asset can not exceed twenty years.

Goodwill is stated at cost less any impairment in value.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to the business segments which are the countries in which it operates.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Brand

The cost of brands acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, the brands are carried at cost less accumulated impairment losses, if any. The useful live for the brands is assessed to be indefinite and therefore brands are not amortised. The brands are tested for impairment annually. The useful live is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Other Intangible Assets

Other intangible assets acquired separately from a business are capitalized at cost which is the fair value at the date of acquisition. Other intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if the fair value can be measured reliably on initial recognition. Other intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred.

Following the initial recognition, other intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets which are identified to have a finite useful life are amortised on a straight-line basis over the periodically reviewed best estimate of useful lives and assessed for impairment whenever there is an indication that the assets may be impaired. The carrying values of other intangible assets which are identified to have an indefinite useful life are not amortised but reviewed for impairment annually and when events or changes in circumstances indicate that the carrying value may not be recoverable.

The cost of acquisition of new software is capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. Software of the Company is amortised on a straight-line basis over 1 year.

Recognition and Derecognition of Financial Instruments

The Company recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of financial asset when and only when the contractual rights to receive cash flows from the asset expire or the Company transfers the contractual rights to receive cash flows together with the risks of the asset or assumes a contractual obligation to pay the cash flows from a financial asset to one or more recipients under an additional agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company derecognizes a financial liability when and only when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another liability from the same lender on substantially different terms or if the terms of the existing financial liability are substantially modified, such exchange or modification is treated as derecognition of the existing liability and the recognition of the new liability.

Borrowings

All borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Revenue

Revenue is recognised when the significant risks and rewards of ownership are passed to the counterparty and the revenue can be reliably measured. Revenues are stated net of discounts, and any relevant taxes.

Income Tax

Tax expense/(income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Subsequent Events

Post-year-end events that provide additional information about the Company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events), are reflected in the accompanying consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Segment Reporting

The Company acts as a Dutch Holding company, facilitating investments in breweries and accordingly does not provide segment information in the company-only financial statements.

3. CHANGES IN ORGANIZATION

For the year 2006

The Company acquired 92.3% of KV Group located in Russia, in February 2006 with a total cash consideration of USD 366.7 million (including costs directly attributable to acquisition of USD 1.2 million). In June 2006, with a total cash consideration of USD 1.6 million, the Company additionally acquired 0.5% of KV Group from minority shareholders. The excess of the acquisition costs over the fair values of the net assets acquired was USD 85,481 for the initial acquisition and USD 9 for the minority buyout, and has been recognised as goodwill in the balance sheet (Refer to Note 21). The goodwill is justified by acquired market share which has consolidated the Groups existing Russian business at

3. CHANGES IN ORGANIZATION (continued)

fourth position in the market, operational synergies, production optimisation across the Group's brewing platforms, a lower cost base through a higher sales volume and logistical advantage through more extensive geographical coverage.

Financial statements of the KV Group and its subsidiaries until 28 February 2006 had been prepared in accordance with Regulations on Accounting and Reporting of the Russian Federation (Russian GAAP). Russian GAAP differs in certain respects from IFRS. KV Group has prepared its financial statements under IFRS for the first time as of February 28, 2006 and recognised the fair values of its assets and liabilities at carrying value, in compliance with IFRS 1 "First time adoption of IFRS". Therefore, it is impracticable for the Company to disclose the information about the carrying values on the date of acquisition and the comparative figures as required by IFRS 3.

The Company has gone through a substantial integration exercise which was intended to align the KV Group business into the Company's current Russian system. The principal integration goals were focusing on deriving benefit from areas that evidence scope for rapid synergies. The previous business model of KV Group has been significantly changed through cross-brewing, sales, distribution and marketing. KV Group has commenced producing brands of Efes Moscow and Efes Moscow has commenced producing brands of KV Group. The selling and distribution model of KV Group via trading houses has been ceased and all selling and distribution activities have been transferred to Efes Moscow. As a result, KV Group has been restructured as a production centre. Therefore, financial performance of KV Group does not reflect the contribution of the integrated business model to the consolidated income statement of the Company.

Relating to the put option granted to Amsterdam Brewery Investments B.V., the Company acquired 12.4% of Efes Moscow for a total cash consideration of USD 108.9 million and increased its shareholding percentage in Efes Moscow to 83.4% in February 2006. Following revised IAS 32, the liability for the put options was measured, and the excess of the liability for puttable instrument over the fair value of the net assets of Efes Moscow amounting to USD 81,429 was for the first time recognised as goodwill as of December 31, 2005. Due to the difference between the estimated valuation and the actual cash consideration, the Company has recognized an additional goodwill of USD 740.

In August 2006, the Company sold all of its shares in Interbrew Efes, together with Anadolu Efes to InBev. The Company received USD 26.6 million for 49.99% of the share capital of Interbrew Efes. On disposal of Interbrew Efes, an accumulated currency translation difference of USD 7,825 was recognised in the income statement as a component of the gain on sale of joint venture (Refer to Note 21).

In October 2006, the Company has acquired 7.50% of Efes Moscow from EL & EL for a total cash consideration of USD 88.5 million and increased its shareholding percentage to 90.85%. For the remaining 0.39% shares owned by EL & EL, EBI has been granted a call option. The excess of fair value of net assets acquired over the purchase price was USD 68,063 and has been recognised as goodwill in the balance sheet.

In December 2006, the Company acquired another 7.47% of share capital in Efes Weifert by cash contributions to its share capital and accordingly increased its share in the subsidiaries up to 90.97%. The excess of fair value of net assets acquired over the purchase price was USD 1,674 and has been recorded as goodwill.

For the year 2005

In August 2005, the Company acquired another 20.68% and 8.56% of share capital in Efes Weifert and Efes Zajecar by share capital cash contributions and accordingly increased its share in the subsidiaries up to 83.53% and 72.96% respectively.

In September 2005, the Company acquired 41.09 % of share capital in Efes Ukraine from OJSC Chernomor and Meinl Bank AG and increased its share in the subsidiary up to 100%. The excess of the fair value of the net assets acquired over the purchase price was USD 1,046.

In December, Efes Moscow acquired all of the outstanding common stock of Rostov Beverages from Efes Sınai Yatirim Holding A.S. (Efes Invest) (a subsidiary of Anadolu Efes) for a cash consideration of USD 100. Both the Company and Efes Invest are under the common control of Anadolu Efes. The excess of the purchase consideration over the fair values of the net assets acquired was USD 2,294 and has been recorded as a decrease in retained earnings in the balance sheet.

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

4. CASH AND CASH EQUIVALENTS

	2006	2005
Cash on hand	**3**	1
Banks accounts (including short-term time deposits)	**143,247**	89,759
Cash and cash equivalents	**143,250**	89,760

Loans utilized by Efes Ukraine of USD 5,046, by Efes Karaganda of USD 17,927, by Efes Moscow of USD 18,764 and by Efes Weifert of USD 5,617 and by Efes Vitanta of USD 2,735 as of December 31, 2006 are secured with cash amount of USD 51,409 at banks (Refer to Note 12) (2005-USD 37,068).

Time deposits are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest between 3.65% and 7.45%.

5. DUE FROM RELATED PARTIES

Due from related parties include the trade receivables from related parties and funds provided to subsidiaries.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

The balance includes the prepaid insurance expenses, prepaid administrative expenses and other current assets.

7. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND SECURITIES

The balance represents the investments in subsidiaries, joint ventures and securities stated at the net equity value.

Movements in investments in subsidiaries, joint ventures and securities in 2006 and 2005 can be summarized as follows:

	2006	**2005**
Opening balance, January 1	**314,813**	247,763
Share in net profit for the year	**28,528**	28,635
Acquisition, disposal of consolidated subsidiaries	**203,382**	57,712
Effects of group restructuring	**-**	(2,294)
Currency translation reserve	**60,988**	(16,354)
Other movements	**(3,245)**	(649)
Closing balance, December 31	**604,466**	314,813

The acquisition, disposal of consolidated subsidiaries comprises of acquisition of KV group by USD 206,667, minority buy-out for Efes Moscow shares by USD 21,511 and disposal of Interbrew Efes by USD (24,796).

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

8. PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment is composed of office machinery, furniture and fixtures and vehicles. The movement of property, plant and equipment in 2006 and 2005 is as follows:

	2006	2005
Cost		
Opening balance, January 1	**87**	80
Additions	**3**	7
Closing balance, December 31	**90**	87
Accumulated Depreciation		
Opening balance, January 1	**32**	15
Depreciation	**20**	17
Closing balance, December 31	**52**	32
Property, plant and equipment (net)	**38**	55

9. INTANGIBLE ASSETS

	Goodwill	Brands	Other intangible assets	2006 Total	Goodwill	Other intangible assets	2005 Total
Cost							
Opening balance, January 1	169,219	-	2	**169,221**	26,258	2	**26,260**
Additions	190,073	83,960	-	**274,033**	142,961	-	**142,961**
Currency translation difference	20,701	5,715	-	**26,416**			
Closing balance, December 31	379,993	89,675	2	**469,670**	169,219	2	**169,221**
Accumulated amortisation and impairment losses							
Opening balance, January 1	5,130	-	2	**5,132**	5,130	1	**5,131**
Amortisation for the year	-	-	-	-	-	1	**1**
Closing balance, December 31	5,130	-	2	**5,132**	5,130	2	**5,132**
Net book value	374,863	89,675	-	**464,538**	164,089	-	**164,089**

As a Group policy, the management performs impairment test for goodwill and brands with an indefinite useful life on an annual base. Based on the impairment test for goodwill and brands, no grounds were identified for impairment charge as of December 31, 2006. The recoverable amount of cash generating units, which is determined by discounting the future cash flows, exceeded the carrying amount of the cash generating units including goodwill and brands.

Cash flows were projected with a combination of the strategic business plans of the Company for the period 2007 till 2009 and were extrapolated for the period 2010 till 2016. Key assumptions such as country specific market growth rates, GDP per capita and consumer price indices were derived from external sources. Main estimates such as beer and resin prices, working capital requirements and capital expenditures were based on key assumptions and historical operating data. The market growth and volume growth rates were estimated to be between 18% and 3%, and 27% and 7%, respectively. The consumer price indices were estimated to be between 10% and 7%, and selling prices were estimated to increase in line with inflation. These projections were discounted at the weighted average cost of capital of the cash generating units ranged primarily between 11.0% and 15.5%.

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

9. INTANGIBLE ASSETS (continued)

The Company believes that all of its management estimates and key assumptions are reasonable. Any change in such estimates and assumptions arising from the subsequent facts might have an impact on recoverable amount of a cash generating units and might lead to an impairment charge.

10. PREPAYMENTS AND OTHER NON-CURRENT ASSETS

Prepayments and other non-current assets are composed of long term portion of prepaid insurance expenses.

11. TRADE AND OTHER PAYABLES

	2006	2005
Trade accounts payable	**1,570**	507
Payable for acquired shares	**28,914**	**-**
Short term liability for puttable instrument (Refer to Note 21)	**24,202**	108,168
Other short-term payable (Refer to Note 21)	**4,602**	-
Total	**59,288**	108,675

12. BORROWINGS

	2006	2005
Current		
Bank borrowings (including current portion of long-term borrowings)	**9,859**	5,285
Non-current		
Bank borrowings	**301,493**	10,000
Total borrowings	**311,352**	15,285

All the borrowings of the Company are denominated in USD. The effective interest rate of the borrowings at the balance sheet date was LIBOR +1.55%-+2.95%.

As of December 31, 2006, the total borrowings are secured with the followings:

- A Corporate guarantee amounting to USD 310,000 (2005 – USD 10,000) provided by Anadolu Efes.

Repayments of long-term debt are scheduled as follows (excluding finance lease obligation):

	2006	2005
2006	-	5,285
2007	**9,859**	5,000
2008	**5,000**	5,000
2009	**296,493**	-
Thereafter	**-**	-
	311,352	15,285

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

13. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities include the long term liability for puttable instruments amounting USD 103,100 as of December 31, 2006 (2005 – USD 76,601). (Refer to Note 21)

14. SHARE CAPITAL

	2006	2005
	Number of shares	Number of shares
Common shares, par value of EUR 1		
Authorized	**250,000,000**	250,000,000
Issued and outstanding	**211,428,569**	148,000,000

In October 2004, the articles of association of the Company were amended, whereby each share issued before the amendment of the articles of association with a par value of EUR 100 was split in one hundred shares with a par value of EUR 1. Consequently, the number of shares increased from 1,223,238 shares to 122,323,800 shares. In addition, the authorised number of shares was increased to 250,000,000 shares with a par value of EUR 1.

Movement in share capital

The movement of the share capital of the Company during 2006 and 2005 is as follows:

	2006		2005	
	Number of shares	**USD**	Number of shares	USD
At January 1,	**148,000,000**	**156,921**	148,000,000	156,921
Shares issued	**63,428,569**	**80,567**	-	-
At December 31	**211,428,569**	**237,488**	148,000,000	156,921

The Company conducted a share rights offering for 63,428,569 new ordinary shares, with a nominal value of EUR 1 to its existing shareholders Anadolu Efes, the Company's principal shareholder, and The Bank of New York, as depositary of the GDRs. The new ordinary shares of 18,891,340 out of for 63,428,569 new shares were offered in the form of GDRs, each representing five new ordinary shares. Anadolu Efes has participated in the share rights offering to the full extent of its holding of 70.22 per cent of the Company’s share capital. The Bank of New York has subscribed for 3,524,717 new GDRs and HSBC Bank plc has subscribed for the remaining 253,551 new GDRs.

The details of the capital increases are as follows:

Date	Number of shares issued	USD	
		At Par Value	Share Premium
October 2004	63,428,569	80,567	217,692

As at December 31, 2006 and 2005, the composition of shareholders and their respective % of ownership can be summarised as follows:

	2006	2005
Anadolu Efes	**70.22%**	70.22%
Public	**29.78%**	29.78%
Total	**100.00%**	100.00%

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

15. EARNINGS PER SHARE

Basic earnings per share (EPS), which is same as fully diluted EPS is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted EPS computation:

	2006	2005
Net profit attributable to ordinary shareholders	**20,608**	20,122
Weighted average number of ordinary shares	**157,036,399**	148,000,000
EPS (in full U.S. Dollars)	**0.13**	0.14

16. FINANCIAL INSTRUMENTS

Financial Risk Management

Credit risk

The credit risk of the Company and its subsidiaries is primarily attributable to its trade receivables. The Company and its subsidiaries have established control procedures over its sales system. The credit risk arising from the transactions with customers is monitored by management and the management believes that such risk is limited.

Interest rate risk

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's long term debt obligations with a floating interest rate.

The Company mainly enters into LIBOR based contracts in its financial borrowings. As of December 31, 2006, all of the Company's long term financial borrowings were floating rate borrowings.

Foreign exchange risk

Foreign currencies play a significant role in the economies of the territories where the most of the subsidiaries of the Company are operating. The significant part of cash outflows related to financing activities as well as some part of accounts payable balances are hard currency denominated, while cash inflows are primarily denominated in national currencies. Consequently, any significant decline in the value of the measurement currencies of the subsidiaries against U.S. Dollars may have a negative effect on the subsidiaries' financial position and results of their operations.

The subsidiaries generally do not hedge their foreign currency risks. The governments of these countries have established strict currency controls, which place restrictions on the conversion of national currencies into hard currencies and establish requirements for conversion of hard currency sales to national currencies.

Net foreign currency liability position of the Company together with its subsidiaries as of December 31, 2006 is approximately USD 249 million (2005 – USD 0.1 million, net foreign currency asset).

Liquidity risks

Liquidity risk represents the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. For the Company and its subsidiaries, liquidity risk arises from the possibility that customers do not settle obligations to the Company and its subsidiaries within the normal terms of trade. To manage this risk the management of the Company periodically assesses the financial viability of customers.

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

16. FINANCIAL INSTRUMENTS (continued)

Fair Values

The fair values of trade receivables and other current assets (net of provision) and trade and other payables are estimated to approximate carrying value due to their short-term nature.

The fair values of short-term and long-term leasing obligations approximate their carrying values since they are denominated in foreign currencies and revalued at year-end exchange rates.

The fair value of long-term debt is estimated to approximate its carrying value since it is primarily denominated in foreign currencies and is revalued at year-end exchange rates and all of the long-term debt carries variable interest rates.

17. RELATED PARTY BALANCES AND TRANSACTIONS

Balances with related parties as of December 31, 2006, which are separately classified in the balance sheet are as follows:

	2006	2005
Due from related parties		
Efes Holland Technical Management Consultancy N.V. (Efes Holland) (1)	**2,439**	4,554
JSC Efes Karaganda Brewery (Efes Karaganda) (2)	**13,128**	4,438
Interbrew Efes Brewery S.A (Interbrew Efes) (2) *	**-**	2,380
Efes Productie S.R.L. (2) (Efes Productie)	**763**	758
Efes Weifert Brewery d.o.o (2) (Efes Weifert)	**-**	242
Euro-Asian Brauerein Holding GmbH (Euro Asien)(2)	**11**	11
ZAO Moscow-Efes Brewery (Efes Moscow)(2)	**-**	-
Total	**16,341**	12,383

The most significant transactions with related parties during the year ended December 31, 2006 are as follows:

Nature of Transaction	**Related Party**	**Amount**
Dividend Income	Interbrew Efes (2)*	3,260
Dividend Income	Efes Moscow (2)	2,255
Dividend Income	Euro Vitanta (2)	2,496
Dividend Income	Mutena Maltery (2)	130
Interest Income	Efes Karaganda (2)	639
Interest Income	Interbrew Efes (2)	105

(1) Related party of Anadolu Efes, the ultimate shareholder of the Company
(2) Company's investment
* Disposed in 2006

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

18. REMUNERATION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

The gross remuneration of the supervisory board was USD 125 in year 2006 (2005 – USD 85).

Supervisory Board Members

	2006	2005
David Logan	**75**	69
Gauthier de Biolley	**14**	-
Christos -Alex Komninos	**24**	16
Tuncay Ozilhan	**6**	-
Ali Tigrel	**6**	-
Total	**125**	85

The gross remuneration of the management board was USD 284 in year 2006 (2005 – USD 272).

Management Board Members

	2006	2005
Mehmet Demir Şarman	**281**	253
Gerard J. van Spall	**3**	6
Total	**284**	259

19. MEMBERS OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Members of the Supervisory Board and Management Board of the Company are as follows:

Members of the Supervisory Board

Tuncay Özilhan
David Logan
Ali Tigrel
Chrıstos-Alex Komninos
Gauthier De Biolley

Members of the Management Board

Ahmet Boyacıoğlu
Mehmet Hurşit Zorlu
Mehmet Demir Şarman
Carlos P.M. Roelofs

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

20. NOTES TO CASH FLOW STATEMENTS

Cash flows from acquisition and disposal of subsidiaries:

	2006		2005	
	Acquisitions	**Disposal**	Acquisitions	Disposal
Cash and cash equivalents	**50,133**	**(24)**	22	-
Trade receivables	**2,670**	**(42)**	-	-
Due from related parties	**1,293**	**(9,610)**	1,758	-
Inventories-net	**27,641**	**(2,511)**	-	-
Other current assets	**16,255**	**(135)**	194	-
Property, plant and equipment-net	**206,985**	**(29,393)**	319	-
Intangible assets	**83,960**	**-**	-	-
Deferred tax assets	**5,009**	**-**	-	-
Other non-current asset	**10**	**(1,683)**	2,399	-
Trade and other payables	**(4,714)**	**2,440**	(1)	-
Due to related parties	**(1,804)**	**2,677**	(508)	-
Short-term loans	**(62,279)**	**2,813**	(6,545)	-
Other current liabilities	**(20,633)**	**1,932**	(28)	-
Income tax payable	**(4)**	**99**	-	-
Long-term debt – net of current portion	**-**	**517**	-	-
Deferred tax liability	**-**	**299**	-	-
Accumulated exchange differences	**-**	**7,825**	-	-
Fair value of net assets	**304,522**	**(24,796)**	(2,390)	-
Net assets acquired/sold	**281,196**	**(24,796)**	(2,194)	-
Recognised as decrease in retained earnings	**-**	**-**	2,294	-
Goodwill	**85,481**	**-**	-	-
Gain on sale of shares of subsidiary	**-**	**1,779**	-	-
Total purchase/sale consideration	**366,677**	**(26,575)**	100	-
Net cash acquired with subsidiary	**(50,133)**	**-**	(22)	-
Net cash sold with subsidiary	**-**	**24**	-	-
Net cash inflow/outflow for the initial acquisition	**316,544**	**(26,551)**	78	-
Disposal of an available-for-sale investment	**-**	**(155)**	-	-
Acquired minority shares of Efes Ukraine	**-**	**-**	1,677	-
Acquired minority shares of KV Group	**1,627**	**-**	-	-
Acquired minority shares of Efes Moscow	**168,494**	**-**	-	-
Net cash outflow/inflow for the period ended	**486,665**	**(26,706)**	1,755	-

The net assets acquired from minority buy-out for Efes Moscow shares are USD 21,511.

21. COMMITMENTS AND CONTINGENCIES

Put options

A put option has been granted to the EBRD by the Company that may be exercisable between 2008 and 2011. By such put option, the EBRD will be entitled to sell its 8.8% of Efes Moscow shares to the Company at an option price to be determined by an independent valuation.

A put option has been granted to the OAO Krasny Vostok Agro that may be exercisable between 2007 and 2009. By such option, OAO Krasny Vostok Agro will have right to sell its 6.7% of KV Group shares to the Company at an option price either at in full USD 0.395 multiplied by number of shares plus interest accrued from the date of the option until the date of completion at a rate of LIBOR plus 4.9% or the consolidated EBITDA multiplied by a multiple of nine minus net indebtedness.

Put options have been regarded as 'liability for puttable instruments' in the Group's financial statements, to be stated at fair value. The liability for the put option has been measured by applying a weighting of different valuation techniques based on best estimates currently available. Subsequent changes to the valuation of the put options have been recorded as changes to 'liability for puttable instruments' and to goodwill, without any direct impact on the income statement.

The contingent considerations related with the put options granted to EBRD and OAO Krasny Vostok Agro of USD 103,100 (2005 - USD 76,601) and USD 24,202 (2005 - nil) have been presented as 'liability for puttable instruments' in other non-current liabilities and other current liabilities in the balance sheet, respectively. In order to give effect to the recognition of the liability for puttable instruments, the equity and net income attributable to the interest of minority shareholders of Efes Moscow and KV Group have been decreased by 8.8% and 6.7%, respectively. The excess of the liability for puttable instruments over the fair value of net assets of Efes Moscow and KV Group amounting to USD 85,089 (2005 - USD 58,322) and USD 3,799 (2005 - nil) have been recognised as goodwill in the balance sheet.

The variation in the 'liability for puttable instruments' reflects (i) an increase in the liability of USD 26,767 related to the reassessment of the contingent consideration for put option granted to EBRD (leading to an increase in the goodwill of USD 26,767) and (ii) a decrease in the liability of USD 268 due to dividends paid to EBRD.

Call option

A call option has been granted to the Company by EL&EL without a time limitation. By such option, the Company has the option to request EL&EL to sell all or any part of its 0.39% of Efes Moscow shares to the Company at a price equal to USD 4,602. The consideration related with the call option has been recognised as 'other short-term payables' in the consolidated balance sheet. In order to give effect to the recognition of the call option, the equity and net income attributable to the interest of minority shareholders of Efes Moscow has been decreased by 0.39%. The excess of the consideration over the fair value of net assets of Efes Moscow amounting to USD 3,539 has been recognised as goodwill in the balance sheet.

Tax and legal matters

Legislation and regulations regarding taxation and foreign currency transactions in most of the territories in which the Group operates continue to evolve as the government manages the transformation from a command to a market-oriented economy. Various regulations are not always clearly written and their interpretation is subject to the opinions of the local, regional and national tax authorities, the Central Bank and Ministry of Finance. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose significant fines, penalties and interest charges. These facts create tax risks in the territories in which the Group operates substantially more than typically found in countries with more developed tax systems.

21. COMMITMENTS AND CONTINGENCIES (continued)

Management believes that all applicable taxes have been paid or accrued and the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Rental Obligations

The Company has entered into a rental agreement for the current premises of the Company which is expiring in 2011. The total nominal future obligation of the Company with respect to this rental agreement amounts to USD 398.

Guarantees Issued

The Company has issued corporate guarantees for the certain bank loans of its subsidiaries.

22. SUBSEQUENT EVENTS

In February 2007, Efes Vitanta, subsidiary of the Company in Moldova, reached an agreement with The Coca-Cola Company (“TCCC”) to sell Efes Vitanta’s soft drink brand called “Viva” as well as “Real” brand of bottled water to TCCC.

In March 2007, Efes Moscow, subsidiary of the Company in Russia, announced their preparations for Rouble bond issue which will be used to restructure the existing financial debt with keeping the same overall indebtedness of the Company.

OTHER INFORMATION

OTHER INFORMATION

Articles of Association Re Appropriation of Net Income

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been recovered, retained earnings are at the disposal of the shareholders in accordance with Article 18 of Articles of Association of the Company.

Appropriation of Net Income

Preceding a resolution of the shareholders, the board of managing directors proposes that the net profit will be retained.

Efes Breweries International N.V. and its Subsidiaries

Consolidated Financial Statements
Together With
Auditors' Report
December 31, 2006

TABLE OF CONTENTS

	Page
Auditors' Report	1-2
Consolidated Balance Sheet	3
Consolidated Income Statement	4
Consolidated Statement of Changes in Equity	5
Consolidated Cash Flow Statement	6
Notes to Consolidated Financial Statements	7-36

To the Board of Directors and the Shareholders of
Efes Breweries International N.V.

AUDITORS' REPORT

Report on the consolidated financial statements

We have audited the consolidated financial statements for the year 2006 of EFES Breweries International N.V., Amsterdam, which comprise the consolidated balance sheet as at December 31, 2006, the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of EFES Breweries International N.V. as at December 31, 2006, and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Amsterdam, March 30, 2007

for Ernst & Young Accountants

C.N.J. Verhart

Efes Breweries International N.V. and its Subsidiaries

CONSOLIDATED BALANCE SHEET
As at December 31, 2006
(Currency – Thousands of U.S. Dollars unless otherwise indicated)

ASSETS

	Notes	2006	2005
Current assets			
Cash and cash equivalents	4	**163,861**	96,860
Trade and other receivables	5	**49,630**	38,032
Due from related parties	29	**3,475**	5,395
Inventories	6	**97,913**	55,183
Prepayments and other current assets	7	**56,422**	27,237
Total current assets		**371,301**	222,707
Non-current assets			
Available-for-sale investments	10	**1,575**	1,678
Property, plant and equipment	8	**628,550**	343,602
Intangible assets	9	**514,969**	209,209
Deferred tax assets	24	**10,699**	1,044
Prepayments and other non-current assets		**2,246**	2,179
Total non-current assets		**1,158,039**	557,712
Total assets		**1,529,340**	780,419

LIABILITIES AND EQUITY

	Notes	2006	2005
Current liabilities			
Trade and other payables	11	**145,770**	149,466
Due to related parties	29	**22,148**	20,497
Income tax payable		**1,694**	746
Short-term borrowings	12	**138,156**	50,511
Current portion of long-term borrowings	12	**22,294**	18,653
Total current liabilities		**330,062**	239,873
Non-current liabilities			
Long-term borrowings-net of current portion	12	**311,108**	41,484
Deferred tax liability	24	**12,260**	13,104
Other non-current liabilities	13	**103,886**	78,242
Total non-current liabilities		**427,254**	132,830
Equity			
Issued capital	14	**237,488**	156,921
Share premium	14	**319,318**	101,626
Currency translation reserve	14	**75,520**	14,532
Retained earnings		**130,367**	109,759
Equity attributable to equity holders of the parent		**762,693**	382,838
Minority interests		**9,331**	24,878
Total equity		**772,024**	407,716
Total liabilities and equity		**1,529,340**	780,419

The accompanying policies and explanatory notes on pages 7 through 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2006
(Currency – In thousands of U.S. Dollars unless otherwise indicated)

	Notes	2006	2005
Revenue		**638,929**	481,223
Cost of revenue	16	**(328,843)**	(253,190)
Gross profit		**310,086**	228,033
Selling and marketing expenses	17	**(180,613)**	(128,230)
General and administrative expenses	18	**(73,801)**	(47,277)
Other operating income/(expense)	19	**(287)**	(2,821)
Profit from operations		**55,385**	49,705
Financial income	22	**14,453**	3,036
Financial expense	22	**(41,007)**	(16,938)
Profit before tax		**28,831**	35,803
Income tax	23	**(7,419)**	(16,828)
Profit after tax		**21,412**	18,975
Attributable to :			
Equity holders of the parent company		**20,608**	20,122
Minority interests		**804**	(1,147)
		21,412	18,975
Earnings per share (in full U.S. Dollars)			
Basic	15	**0.13**	0.14
Diluted	15	**0.13**	0.14

The accompanying policies and explanatory notes on pages 7 through 36 form an integral part of these consolidated financial statements.

Efes Breweries International N.V. and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2006
(Currency – In thousands of U.S. Dollars unless otherwise indicated)

	Attributable to the Equity Holders of the Parent Company					Minority Interests	Total Equity
	Share Capital	Share Premium	Currency Translation Reserve	Retained Earnings	Total		
Balance at January 1, 2005	**156,921**	**101,626**	**30,886**	**91,931**	**381,364**	**73,144**	**454,508**
Foreign currency translation	-	-	(16,354)	-	**(16,354)**	(1,777)	**(18,131)**
Effects of group restructuring (Note 3)	-	-	-	(2,294)	**(2,294)**	(193)	**(2,487)**
Total income and expense for the year recognized directly in equity	-	-	(16,354)	(2,294)	**(18,648)**	(1,970)	(20,618)
Net profit for the year	-	-	-	20,122	**20,122**	(1,147)	**18,975**
Total income and expense for the year	-	-	(16,354)	17,828	**1,474**	(3,117)	**(1,643)**
Dividends of subsidiaries	-	-	-	-	-	(901)	**(901)**
Additions through subsidiaries acquired	-	-	-	-	-	487	**487**
Effect of puttable instruments	-	-	-	-	-	(45,018)	**(45,018)**
Capital increase at subsidiaries	-	-	-	-	-	283	**283**
At December 31, 2005	**156,921**	**101,626**	**14,532**	**109,759**	**382,838**	**24,878**	**407,716**
Foreign currency translation	-	-	68,813	-	**68,813**	2,549	71,362
Recognition of currency translation reserve (Note 3)	-	-	(7,825)	-	**(7,825)**	-	**(7,825)**
Issue of share capital	80,567	217,692	-	-	**298,259**	-	**298,259**
Total income and expense for the year recognized directly in equity	-	-	60,988	-	**60,988**	2,549	63,537
Net profit for the year	-	-	-	20,608	20,608	804	**21,412**
Total income and expense for the year	-	-	60,988	20,608	**81,596**	3,353	**84,949**
Dividends of subsidiaries	-	-	-	-	-	(604)	**(604)**
Additions through subsidiaries acquired	-	-	-	-	-	(18,564)	**(18,564)**
Dividends paid to put option holder	-	-	-	-	-	268	**268**
At December 31, 2006	**237,488**	**319,318**	**75,520**	**130,367**	**762,693**	**9,331**	**772,024**

The accompanying policies and explanatory notes on pages 7 through 36 form an integral part of these consolidated financial statements.

Efes Breweries International N.V. and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2006
(Currency – In thousands of U.S. Dollars unless otherwise indicated)

	Note	2006	2005
Cash flows from operating activities			
Profit before tax		**28,831**	35,803
Adjustments to reconcile net income to net cash provided by operating activities			
Gain on sale of joint venture and subsidiary	25	**(1,779)**	(1,046)
Depreciation and amortisation	21	**57,082**	41,384
Provision for bad debt	18	**134**	1,060
Provision for inventories	19	**1,834**	1,832
Income recognised from reversal of provision for bad debt		**(687)**	(47)
Income recognised from reversal of provision for inventories		**(148)**	(664)
Impairment in property, plant and equipment	19	**70**	1,445
Reserve for vacation pay liability		**1,221**	756
Other non-cash items		**(1,290)**	698
Loss from disposal of property, plant and equipment	19	**813**	691
Amortised borrowing costs		**208**	-
Interest income	22	**(5,685)**	(3,036)
Interest expense	22	**38,415**	6,487
Net income adjusted for non-cash items		**119,019**	85,363
(Increase)/decrease in inventories		**(19,286)**	(8,353)
(Increase)/decrease in trade receivables		**(8,417)**	(10,679)
(Increase)/decrease in due from related parties		**(6,397)**	(253)
(Decrease)/increase in trade and other payables		**24,780**	(4,715)
Increase/(decrease) in due to related parties		**2,524**	6,511
(Increase)/decrease in other current assets		**(12,769)**	(7,420)
Decrease/(increase) in other non-current assets		**(1,733)**	4,036
Increase/(decrease) in other non-current liabilities		**(1,123)**	17
Taxes paid		**(10,920)**	(11,712)
Net cash provided by operating activities		**85,678**	52,795
Cash flows from investing activities			
Purchase of property, plant and equipment and other intangible assets	8 & 9	**(124,193)**	(89,865)
Proceeds from sale of property, plant and equipment		**3,196**	867
Acquisition of subsidiary, net of cash acquired	25	**(486,665)**	(1,755)
Disposal of subsidiary & investment, net off cash sold	25	**26,706**	-
Capital increases of subsidiaries from minority shareholders		**-**	283
Dividends paid to minority shareholders		**(604)**	(901)
Net cash used in investing activities		**(581,560)**	(91,371)
Cash flows from financing activities			
Net increase/(decrease) in short-term debt		**16,706**	16,197
Proceeds from long-term debt		**296,283**	8,642
Repayment of long-term debt		**(27,087)**	(20,856)
Proceeds from issuance of share capital	14	**80,567**	-
Increase in share premium	14	**217,692**	-
Interest received		**5,331**	3,101
Interest paid		**(30,654)**	(6,380)
Net cash provided by financing activities		**558,838**	704
Currency translation differences		**4,045**	64
Net increase/(decrease) in cash and cash equivalents		**67,001**	(37,808)
Cash and cash equivalents at beginning of year		**96,860**	134,668
Cash and cash equivalents at end of year		**163,861**	96,860

The accompanying policies and explanatory notes on pages 7 through 36 form an integral part of these consolidated financial statements.

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

1. GENERAL

Efes Breweries International N.V. (the Company) was incorporated in the Netherlands on October 2, 1996. The registered address of the Company is Strawinskylaan 1227, 1077XX Amsterdam, the Netherlands.

The Company offered its ordinary shares, each with a nominal value of EUR 1 per share, in the form of global depositary receipts (GDR's) representing an interest in five shares constituting 12,594,228 GDR's. The GDR's have been listed on the London Stock Exchange.

The parent of the Company is Anadolu Efes Biracılık ve Malt Sanayii Anonim Şirketi (Anadolu Efes-the Parent Company). Anadolu Efes is a Turkish Corporation, which was established in Istanbul in 1966. The operations of Anadolu Efes consist of production of beer and its raw materials. Certain shares of Anadolu Efes are listed on the Istanbul Stock Exchange.

The consolidated financial statements of the Company for the year 2006 were authorised for issue by the directors on March 27, 2007.

Nature of Activities of the Company/Group

The Company acts as a Dutch Holding company, facilitating investments in breweries.

For the purpose of the consolidated financial statements, the Company and its consolidated subsidiaries are referred to as "the Group".

List of Subsidiaries

The subsidiaries included in consolidation and their shareholding percentages at December 31, 2006 and December 31, 2005 were as follows:

	Place of Incorporation	Principal Activities	Effective Shareholding and voting rights %	
			December 31, 2006	December 31, 2005
CJSC "Moscow-Efes Brewery" (Efes Moscow) (iii), (vi)	Russia	Production and marketing of beer	**90.85**	71.00
JSC «AMSTAR» (Amstar) (i)	Russia	Production of beer	**90.85**	71.00
ZAO Efes Entertainment (Efes Entertainment) (i)	Russia	Entertainment	**90.85**	60.35
CJSC.Rostov Beverage (Rostov Beverages) (i)	Russia	Production of beer	**90.85**	71.00
JSC «Brewing union «Krasny Vostok - Solodovbeer» (KV Group) (iii), (vi)	Russia	Production and marketing of beer	**92.85**	-
LLC "KV - SibPivCompaniya"(iv)	Russia	Production of beer	**97.53**	-
LLC "Vostok solod"(iv)	Russia	Production of malt	**92.85**	-
LLC "Krasny Vostok – Invest"(iv)	Russia	Finance	**92.85**	-
LLC „T'sentralny Torgovy Dom „Krasny Vostok"(iv)	Russia	Trading house	**92.85**	-
CJSC "MTD "Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
CJSC „Samarskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
CJSC „Saratovskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
CJSC „Ufimskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-
LLC „Barnaulskii Torgovyii Dom „Krasny Vostok" (iv)	Russia	Trading house	**92.85**	-

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

1. GENERAL (Continued)

	Place of Incorporation	Principal Activities	Effective Shareholding and voting rights %	
			December 31, 2006	December 31, 2005
LLC „Volgogradskii Torgovyii Dom „Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
LLC „Voronezhskii Torgovyii Dom „Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
LLC “Ekaterinburgskii Torgovyii Dom „Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
LLC ”Kemerovskii Torgovyii Dom„Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
LLC ”Krasnodarskii Torgovyii Dom„Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
LLC ”Krasnoyarskii Torgovyii Dom „Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
LLC ”Kurskii Torgovyii Dom „Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
LLC ”Nizhegorodskii Torgovyii Dom „Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
LLC „Nizhnekamskii Torgovyii Dom „Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
LLC „Novosibirskii Torgovyii Dom „Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
LLC „Omskii Dom „Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
LLC „Permskii Torgovyii Dom „Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
LLC „Sankt-Peterburgskii torgovyii Dom „Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
LLC „Tomskii Torgovyii Dom „Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
LLC „Chelyabinskii Torgovyii Dom „Krasny Vostok” (iv)	Russia	Trading house	**92.85**	-
JSC Efes Karaganda Brewery (Efes Karaganda)	Kazakhstan	Production and marketing of beer	**100.00**	100.00
Interbrew Efes Brewery S.A (Interbrew Efes) (ii), (vi)	Romania	Production of beer	**-**	49.99
Efes Vitanta Moldova Brewery S.A. (Efes Vitanta)	Moldova	Production and marketing of beer, soft drinks, low alcoholic drinks and mineral water	**96.50**	96.50
Efes Weifert Brewery d.o.o (Efes Weifert) (vi)	Serbia	Production and marketing of beer	**90.97**	83.53
Efes Zajecar Brewery d.o.o (Efes Zajecar)	Serbia	Production and marketing of beer	**72.96**	72.96
Euro-Asian Brauerein Holding GmbH (Euro Asian)	Germany	Investment company	**100.00**	100.00
Efes Commerce d.o.o Belgrade (Efes Commerce) (v)	Serbia	Production and marketing of beverages	**100.00**	100.00
Brewery Pivdenna C.J.S.C. (Efes Ukraine) (v)	Ukraine	Production and marketing of beer	**100.00**	100.00
Efes Romania Industrie Si Comert S.A. (ERIC) (v)	Romania	Distribution of beer	**99.996**	99.996
Efes Productie S.R.L. (Efes Productie) (v)	Romania	Distribution of beer	**69.70**	69.70

(i) Subsidiaries of Efes Moscow, which are consolidated under its financial statements.
(ii) Together with 0.01% shares owned by Anadolu Efes, the Company’s ultimate shareholder, the Company controls 50% of Interbrew Efes.
(iii) Following revised IAS 32 (Financial Instruments: Disclosure and Presentation), a further 9.15% (2005: 21.13%) and 6.70% (2005: nil) interest has also been consolidated for Efes Moscow and KV Group, respectively. Refer to note 30 for detailed information.
(iv) Subsidiaries of KV Group, which are consolidated under its financial statements.
(v) Subsidiaries that are either dormant or in the process of being liquidated.
(vi) Refer to note 3 for detailed information.

Environments and Economic Conditions of Subsidiaries

The countries, in which the consolidated subsidiaries are operating, have undergone substantial, political and economical changes in the recent years. Accordingly such markets do not possess well-developed business infrastructures and the operations in such countries might carry risks, which are not typically associated with those in more developed markets. Uncertainties regarding the political, legal, tax and / or regulatory environment, including the potential for adverse changes in any of these factors, could significantly affect the subsidiaries' ability to operate commercially.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, which comprise standards approved by the International Accounting Standards Board (IASB). The consolidated financial statements also comply with the interpretations issued by Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) appointed by the IASC . The consolidated financial statements have been prepared based on the historical cost convention with some items are presented at fair value, as disclosed in below notes.

Changes in Accounting Policies

The Company followed the same accounting policies and methods while preparing the consolidated financial statements for the year 2006 as compared to 2005 except for the new and amended IFRS and IFRIC interpretations. These are:

IAS 1 "Presentation of Financial Statements", IAS 19 "Employee Benefits", IAS 21 "The Effects of Changes in Foreign Exchange Rates", IAS 39 "Financial Instruments: Recognition and Measurement", IFRIC 4 "Determining whether an Arrangement contains a Lease", IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds" and IFRIC 6 "Liabilities arising from Participation in a Specific Market-Waste Electrical and Electronic Equipment"

The Company reviewed the new standards, changes to the existing standards and interpretations. They have not had any effect on the consolidated financial statements.

Basis of Preparation

The Company maintains its books and records in accordance with the requirements of the Netherlands' civil code. The subsidiaries maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the regulations of the countries in which they operate. The consolidated financial statements have been prepared from financial statements of the Company and its subsidiaries and presented in accordance with IFRS in U.S. Dollars. In December 2000, ERIC and Efes Productie adopted a plan of liquidation and as a result changed their basis of accounting, from the going-concern basis to a liquidation basis.

Foreign Currency Translation

The Company is domiciled in the Netherlands. The Group transacts most of its business in U.S. Dollars, loans granted by the Company are denominated in U.S. Dollars, and contributions to the capital of the subsidiaries are denominated in U.S. Dollars and dividends from subsidiaries are received in U.S. Dollars.

Accordingly, the USD was determined to be the Company's functional and presentation currency which reflects the economic substance of the underlying events and circumstances relevant to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

		December 31, 2006	December 31, 2005
	Local Currency	**Functional Currency**	Functional Currency
Efes Moscow	RUR	**RUR**	RUR
KV Group	RUR	**RUR**	RUR
Efes Karaganda	KZT	**KZT**	KZT
Interbrew Efes	ROL	**EUR**	EUR
Efes Ukraine	UAH	**UAH**	UAH
Efes Vitanta	MDL	**MDL**	MDL
Efes Weifert	RSD	**RSD**	RSD
Efes Zajecar	RSD	**RSD**	RSD
Euro Asian	EUR	**USD**	USD
Efes Commerce	RSD	**RSD**	RSD
ERIC	ROL	**ROL**	ROL
Efes Productie	ROL	**ROL**	ROL

The assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date. The income statements of foreign subsidiaries are translated at the exchange rates existing at the dates of the transactions or a weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of the equity. On disposal of a foreign entity, accumulated exchange differences (currency translation reserve) are recognised in the income statement as a component of the gain or loss on disposal.

Each entity within the Group translates its foreign currency transactions and balances into its functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements are recognised in the income statement in the period in which they arise.

Goodwill arising on the acquisition of a foreign entity is treated as an asset of the acquiring company and is translated and recorded at the rate of exchange ruling at the balance sheet date.

Basis of Consolidation

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The purchase method of accounting is used for acquired businesses. Subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

The consolidated financial statements of the Group include Efes Breweries International N.V. and the companies which it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheets and income statements, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture involves the establishment of a separate entity in which each venturer has an interest.

Interbrew Efes is a joint venture which is a jointly controlled entity. Interest in Interbrew Efes is recognised by including the accounts using the proportionate consolidation basis, i.e. by including in the accounts under the appropriate financial statements headings, the Company's proportion of the joint venture in revenue, costs, assets and liabilities.

The financial statements of the joint venture are prepared for the same reporting year as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, if any.

An assessment of interests in joint ventures is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exist.

The joint venture is proportionately consolidated until the date on which the Company ceases to have joint control over the joint venture.

Cash and Cash Equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with the maturities of three months or less.

Trade and Other Receivables

Trade receivables, are recognised at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group will no longer be able to collect the debts. Bad debts are written off when identified.

Inventories

Inventories, including work-in-process are valued at the lower of cost and net realizable value, after provision for obsolete items. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined by weighted average and first in first out methods. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealizable inventory has been fully written off.

The Group sells their products in non-returnable bottles, returnable bottles and other containers. For returnable bottles, there is no deposit obligation of the Group. The Group accounts for bottles and other containers in inventory.

Available-for-sale Investments

Investments classified as available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by alternative valuation methods are measured at cost. The carrying amounts of such investments are reviewed at each balance sheet date for impairment.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase or to sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Land is not depreciated.

Depreciation which is calculated on straight-line basis method over the estimated useful life of the assets is as follows:

Buildings	10-40 years
Infrastructure	5-40 years
Machinery and equipment	5-20 years
Vehicles	5-10 years
Furniture and Fixtures	3-15 years
Other tangible assets	2-14 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less cost to sell and value in use.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Cash generating units are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognised in the income statement.
An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognized.
The residual value of assets, useful life and depreciation methodologies are reviewed, and adjusted if appropriate, at each financial year end.

Intangible Assets

<u>Goodwill</u>

Goodwill represents the excess of the cost of an acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired of a subsidiary at the date of acquisition, and is included under the caption of intangible assets. In 2004, IASB issued IFRS 3 "Business Combinations", revised IAS 36 'Impairment of Assets' and revised IAS 38 'Intangible Assets' which should be applied on acquisitions to the accounting for goodwill in business combinations for which the agreement date is after 31 March 2004.

In addition, starting from January 1, 2005, goodwill acquired in a business combination prior to 31 March 2004 is no longer amortised but tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Goodwill arising on acquisitions after 31 March 2004 is not amortised but subject to impairment test annually. The previous version of IAS 38 was requiring that the useful life of an intangible asset can not exceed twenty years.

Goodwill is stated at cost less any impairment in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to the business segments which are the countries in which it operates.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Brand

The cost of brands acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, the brands are carried at cost less accumulated impairment losses, if any. The useful live for the brands is assessed to be indefinite and therefore brands are not amortised. The brands are tested for impairment annually. The useful live is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Other Intangible Assets

Other intangible assets acquired separately from a business are capitalized at cost which is the fair value at the date of acquisition. Other intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if the fair value can be measured reliably on initial recognition. Other intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred.

Following the initial recognition, other intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets which are identified to have a finite useful life are amortised on a straight-line basis over the periodically reviewed best estimate of useful lives and assessed for impairment whenever there is an indication that the assets may be impaired. The carrying values of other intangible assets which are identified to have an indefinite useful life are not amortised but reviewed for impairment annually and when events or changes in circumstances indicate that the carrying value may not be recoverable.

The cost of acquisition of new software is capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised on a straight-line basis over 1 to 5 years.

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when the contractual rights to receive cash flows from the asset expire or the Group transfers the contractual rights to receive cash flows together with the risks of the asset or assumes a contractual obligation to pay the cash flows from a financial asset to one or more recipients under an additional agreement.

The Group derecognizes a financial liability when and only when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another liability from the same lender on substantially different terms or if the terms of the existing financial liability are substantially modified, such exchange or modification is treated as derecognition of the existing liability and the recognition of the new liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings

All borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Leases

The Group as Lessee

Finance Lease

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating Lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Revenue

Revenue is recognised when the significant risks and rewards of ownership of the goods are passed to the buyer and the revenue can be reliably measured. Revenues are stated net of discounts, value added and sales taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax

Tax expense/(income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to such grants, and that the grants will be received. They are recognised to income over the period to match them with the related costs that they are intended to compensate. Income relating to government grants is recognised as a deduction from the appropriate expense.

Subsequent Events

Post-year-end events that provide additional information about the Company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events), are reflected in the accompanying consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Segment Reporting

Following the acquisition of KV group the Management has changed the primary reporting segment from business segment to geographical segments. To be comparable; prior period statements were also rearranged.

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments. The Group's risks and rates of return are affected predominantly by the fact that it operates in different countries which are considered to be the primary segment and the secondary segment is the business. The Group is in a single product business and products other than beer represent less than 10% of the Group’s sales.

3. CHANGES IN GROUP’S ORGANIZATION

For the year 2006

The Company acquired 92.3% of KV Group located in Russia, in February 2006 with a total cash consideration of USD 366.7 million (including costs directly attributable to acquisition of USD 1.2 million). In June 2006, with a total cash consideration of USD 1.6 million, the Company additionally acquired 0.5% of KV Group from minority shareholders. The excess of the acquisition costs over the fair values of the net assets acquired was USD 85,481 for the initial acquisition and USD 9 for the minority buyout, and has been recognised as goodwill in the consolidated balance sheet (Refer to Note 25). The goodwill is justified by acquired market share which has consolidated the Groups existing Russian business at fourth position in the market, operational synergies, production optimisation across the Group’s brewing platforms, a lower cost base through a higher sales volume and logistical advantage through more extensive geographical coverage.

Financial statements of the KV Group and its subsidiaries until 28 February 2006 had been prepared in accordance with Regulations on Accounting and Reporting of the Russian Federation (Russian GAAP). Russian GAAP differs in certain respects from IFRS. KV Group has prepared its financial statements under IFRS for the first time as of February 28, 2006 and recognised the fair values of its assets and liabilities at carrying value, in compliance with IFRS 1 “First time adoption of IFRS”. Therefore, it is impracticable for the Company to disclose the information about the carrying values on the date of acquisition and the comparative figures as required by IFRS 3.

The Company has gone through a substantial integration exercise which was intended to align the KV Group business into the Company’s current Russian system. The principal integration goals were focusing on deriving benefit from areas that evidence scope for rapid synergies. The previous business model of KV Group has been significantly changed through cross-brewing, sales, distribution and marketing. KV Group has commenced producing brands of Efes Moscow and Efes Moscow has commenced producing brands of KV Group. The selling and distribution model of KV Group via trading houses has been ceased and all selling and distribution activities have been transferred to Efes Moscow.

3. CHANGES IN GROUP'S ORGANIZATION (continued)

As a result, KV Group has been restructured as a production centre. Therefore, financial performance of KV Group does not reflect the contribution of the integrated business model to the consolidated income statement of the Company.

Relating to the put option granted to Amsterdam Brewery Investments B.V., the Company acquired 12.4% of Efes Moscow for a total cash consideration of USD 108.9 million and increased its shareholding percentage in Efes Moscow to 83.4% in February 2006. Following revised IAS 32, the liability for the put options was measured, and the excess of the liability for puttable instrument over the fair value of the net assets of Efes Moscow amounting to USD 81,429 was for the first time recognised as goodwill as of December 31, 2005. Due to the difference between the estimated valuation and the actual cash consideration, the Company has recognized an additional goodwill of USD 740.

In August 2006, the Company sold all of its shares in Interbrew Efes, together with Anadolu Efes to InBev. The Company received USD 26.6 million for 49.99% of the share capital of Interbrew Efes. On disposal of Interbrew Efes, an accumulated currency translation difference of USD 7,825 was recognised in the income statement as a component of the gain on sale of joint venture (Refer to Note 25).

Interbrew Efes contributed USD 13,956 (2005 - USD 18,858) and USD 2,126 (2005 - USD 4,445) to consolidated revenue and consolidated net income, respectively.

In October 2006, the Company has acquired 7.50% of Efes Moscow from EL & EL for a total cash consideration of USD 88.5 million and increased its shareholding percentage to 90.85%. For the remaining 0.39% shares owned by EL & EL, EBI has been granted a call option. The excess of fair value of net assets acquired over the purchase price was USD 68,063 and has been recognised as goodwill in the consolidated balance sheet.

In December 2006, the Company acquired another 7.47% of share capital in Efes Weifert by cash contributions to its share capital and accordingly increased its share in the subsidiaries up to 90.97%. The excess of fair value of net assets acquired over the purchase price was USD 1,674 and has been recorded as goodwill.

For the year 2005

In August 2005, the Company acquired another 20.68% and 8.56% of share capital in Efes Weifert and Efes Zajecar by share capital cash contributions and accordingly increased its share in the subsidiaries up to 83.53% and 72.96% respectively.

In September 2005, the Company acquired 41.09 % of the share capital in Efes Ukraine from OJSC Chernomor and Meinl Bank AG and increased its share in the subsidiary up to 100%. The excess of the fair value of the net assets acquired over the purchase price was USD 1,046 and has been recorded in the consolidated income statement.

In December 2005, Efes Moscow acquired all of the outstanding common stock of Rostov Beverages from Efes Sınai Yatirim Holding A.S. (Efes Invest) (a subsidiary of Anadolu Efes) for a cash consideration of USD 100. Both the Group and Efes Invest are under the common control of Anadolu Efes. The excess of the purchase consideration over the fair values of the net assets acquired was USD 2,294 and has been recorded as a decrease in retained earnings in the consolidated balance sheet.

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

4. CASH AND CASH EQUIVALENTS

	2006	2005
Cash on hand	**53**	51
Banks accounts (including short-term time deposits)	**163,765**	96,780
Other	**43**	29
Cash and cash equivalents per consolidated cash flow statement	**163,861**	96,860

Loans utilized by Efes Ukraine of USD 5,046, by Efes Karaganda of USD 17,927, by Efes Moscow of USD 18,764 and by Efes Weifert of USD 5,617 and by Efes Vitanta of USD 2,735 as of December 31, 2006 are secured with cash amount of USD 51,409 at banks (Refer to Note 12) (2005-USD 37,068).

Time deposits are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest between 3.65% and 7.45%.

5. TRADE AND OTHER RECEIVABLES

	2006	2005
Accounts Receivable	**58,752**	40,576
Others	**1,852**	1,340
Less: provision for doubtful accounts	**(10,974)**	(3,884)
Total	**49,630**	38,032

6. INVENTORIES

	2006	2005
Raw materials	**57,565**	31,100
Supplies and spare parts	**13,615**	10,182
Finished goods	**17,191**	9,679
Work-in-process	**7,359**	4,633
Others	**14,261**	9,078
Less: reserve for obsolescence	**(12,078)**	(9,489)
Total	**97,913**	55,183

7. PREPAYMENTS AND OTHER CURRENT ASSETS

	2006	2005
Advances given to suppliers	**11,718**	13,060
VAT deductible	**37,822**	8,986
Other receivables	**7,275**	5,795
Prepaid expenses	**1,067**	551
Less: provision for other receivables	**(1,460)**	(1,155)
Total	**56,422**	27,237

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Infrastructure	Machinery and Equipment	Furniture and Vehicles	Other Tangible Assets	Construction in Progress	2006 Total
Cost								
January 1, 2006	**3,629**	**117,810**	**10,777**	**322,284**	**15,850**	**13,689**	**26,754**	**510,793**
Additions	-	354	-	2,313	1,248	4,078	114,620	**122,613**
Disposals	-	(196)	(330)	(4,886)	(1,717)	(918)	(1,083)	**(9,130)**
Addition through subsidiary acquired	5,319	100,600	2,974	89,190	3,892	3,928	1,081	**206,984**
Disposal through subsidiaries sold		(13,282)	-	(31,070)	(433)	(2,089)	(1,322)	**(48,196)**
Currency translation difference	705	18,308	999	36,948	1,794	889	2,109	**61,752**
Transfers	1,017	28,092	2,138	81,501	1,858	2,558	(117,164)	-
December 31, 2006	**10,670**	**251,686**	**16,558**	**496,280**	**22,492**	**22,135**	**24,995**	**844,816**
Accumulated Depreciation and Impairment Losses								
January 1, 2006	**-**	**31,059**	**3,302**	**119,802**	**6,572**	**6,456**	-	**167,191**
Depreciation for the year	-	7,097	462	43,948	2,283	2,847	-	**56,637**
Impairment losses	-	-	-	70	-	-	-	**70**
Disposals	-	(87)	(120)	(2,624)	(1,152)	(1,135)	-	**(5,118)**
Disposal through subsidiaries sold	-	(3,330)	-	(14,408)	(265)	(799)	-	**(18,802)**
Currency translation difference	-	3,390	144	11,856	615	283	-	**16,288**
December 31, 2006	**-**	**38,129**	**3,788**	**158,644**	**8,053**	**7,652**	**-**	**216,266**
Net book value	**10,670**	**213,557**	**12,770**	**337,636**	**14,439**	**14,483**	**24,995**	**628,550**

	Land	Buildings	Infrastructure	Machinery and Equipment	Furniture and Vehicles	Other Tangible Assets	Construction in Progress	2005 Total
Cost								
January 1, 2005	2,799	123,693	10,463	284,005	13,948	11,212	10,204	456,324
Additions	-	63	-	3,959	1,192	1,951	82,207	89,372
Disposals	(37)	(191)	(83)	(2,846)	(1,248)	(636)	-	(5,041)
Addition through subsidiary acquired	324	-	-	-	-	-	-	324
Currency translation difference	(114)	(8,013)	(372)	(19,021)	(1,424)	(13)	(1,229)	(30,186)
Transfers	657	2,258	769	56,187	3,382	1,175	(64,428)	-
December 31, 2005	3,629	117,810	10,777	322,284	15,850	13,689	26,754	510,793
Accumulated Depreciation and Impairment Losses								
January 1, 2005	-	28,738	3,290	97,453	5,840	5,093	-	140,414
Depreciation for the year	-	4,367	292	31,270	2,077	1,712	-	39,718
Impairment losses	-	549	235	746		(85)	-	1,445
Disposals	-	(58)	(61)	(1,873)	(920)	(571)	-	(3,483)
Currency translation difference	-	(2,537)	(454)	(7,794)	(425)	307	-	(10,903)
December 31, 2005	-	31,059	3,302	119,802	6,572	6,456	-	167,191
Net book value	3,629	86,751	7,475	202,482	9,278	7,233	26,754	343,602

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

8. PROPERTY, PLANT AND EQUIPMENT (continued)

As of December 31, 2006 and 2005, certain property, plant and equipment are pledged as security for short-term and long-term loans and borrowings of the Group. (Refer to Note 12).

1) Equipment under finance lease
The cost of property, plant and equipment held under finance lease is USD 535 and USD 2,337 and has a net book value of USD 376 and USD 1,660 as at December 31, 2006 and 2005, respectively (Refer to Note 27).

2) Impairment losses
In 2006, a net impairment loss of USD 70 (2005: USD 1,445) was recognised (Refer to Note 19).

9. INTANGIBLE ASSETS

	Goodwill	Brands	Other intangible assets	**2006 Total**	Goodwill	Other intangible assets	**2005 Total**
Cost							
January 1	219,031	-	3,794	**222,825**	77,869	3,551	**81,420**
Additions	190,072	83,960	1,580	**275,612**	142,961	493	**143,454**
Disposals	-	-	(14)	**(14)**	-	(95)	**(95)**
Disposals through subsidiaries sold	-	-	(59)	**(59)**	-	-	-
Currency translation difference	25,203	5,715	309	**31,227**	(1,799)	(155)	**(1,954)**
December 31	434,306	89,675	5,610	**529,591**	219,031	3,794	**222,825**
Accumulated amortisation and impairment losses							
January 1	10,215	-	3,401	**13,616**	10,350	1,906	**12,256**
Amortisation for the year	-	-	445	**445**	-	1,666	**1,666**
Disposals	-	-	(14)	**(14)**	-	(48)	**(48)**
Disposals through subsidiaries sold	-	-	(59)	**(59)**			
Currency translation difference	338	-	296	**634**	(135)	(123)	**(258)**
December 31	10,553	-	4,069	**14,622**	10,215	3,401	**13,616**
Net book value	423,753	89,675	1,541	**514,969**	208,816	393	**209,209**

As a Group policy, the management performs impairment test for goodwill and brands with an indefinite useful life on an annual base. Based on the impairment test for goodwill and brands, no grounds were identified for impairment charge as of December 31, 2006. The recoverable amount of cash generating units, which is determined by discounting the future cash flows, exceeded the carrying amount of the cash generating units including goodwill and brands. The goodwill of USD 407,501 was attributable to the cash generating unit in Russia and the remaining goodwill of USD 16,252 was attributable to the other cash generating units as of December 31, 2006. The brands of USD 89,675 were attributable to the cash generating unit in Russia as of December 31, 2006.

Cash flows were projected with a combination of the strategic business plans of the Company for the period 2007 till 2009 and were extrapolated for the period 2010 till 2016. Key assumptions such as country specific market growth rates, GDP per capita and consumer price indices were derived from external sources. Main estimates such as beer and resin prices, working capital requirements and capital expenditures were based on key assumptions and historical operating data. The market growth and volume growth rates were estimated to be between 18% and 3%, and 27% and 7%, respectively. The consumer price indices were estimated to be between 10% and 7%, and selling prices were estimated to increase in line with inflation. These projections were discounted at the weighted average cost of capital of the cash generating units ranged primarily between 11.0% and 15.5%.

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

9. INTANGIBLE ASSETS (continued)

The Company believes that all of its management estimates and key assumptions are reasonable. Any change in such estimates and assumptions arising from the subsequent facts might have an impact on recoverable amount of a cash generating units and might lead to an impairment charge.

10. AVAILABLE-FOR-SALE INVESTMENTS

	2006	2005
ZAO Mutena Maltery (Mutena Maltery)	**1,511**	1,511
Others	**64**	167
Total – non-current	**1,575**	1,678

Mutena Maltery (11.09%) is carried at cost, since it does not have a quoted market price in an active market and its fair value cannot be reliably measured by alternative valuation methods.

11. TRADE AND OTHER PAYABLES

	2006	2005
Trade accounts payable	**31,337**	20,650
Taxes payable other than income tax	**32,036**	7,860
Accrued expenses	**2,385**	452
Payable for acquired shares	**28,914**	-
Liability for puttable instrument (note 30)	**24,202**	108,168
Other short-term payables	**26,896**	12,336
Total	**145,770**	149,466

12. BORROWINGS

	2006	2005
Current		
Bank borrowings (including current portion of long-term borrowings)	**160,360**	67,712
Loan from Interbrew International B.V.	**-**	1,192
Finance lease liabilities	**90**	260
	160,450	69,164
Non-current		
Bank borrowings	**310,910**	40,792
Finance lease liabilities	**198**	692
	311,108	41,484
Total borrowings	**471,558**	110,648

A syndication loan amounting USD 300,000 originated in September 2006. Issue costs of USD 3,717 associated with the loan has been netted off. The amortised cost for 2006 is USD 208 and has been recognised as finance expense in income statement.

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

12. BORROWINGS (continued)

As of December 31, 2006, USD 383,203 (2005 – USD 84,965) of the total borrowings are secured with the followings:

- Cash collaterals amounting to USD 51,409.
- Efes Moscow's and Efes Karaganda's immovable and movable properties, including inventory balances; the assignment of the rights regarding insurance coverage in respect of Efes Moscow's and Efes Karaganda's property.
- 43% of Efes Moscow's shares and all shares of Efes Karaganda held by the Company.
- The ability of Efes Karaganda to declare dividends is subject to prior consent of the EBRD under the provisions of the loan agreements.
- A Corporate guarantee amounting to USD 310,000 provided by Anadolu Efes.

The effective interest rates at the balance sheet date were as follows:

	2006	2005
Bank borrowings		
Non-current		
USD and EURO denominated borrowings	**Base rate + (1.55%-3.65%)**	Base rate + (2.95%-3.65%)
		2.0%
Current		
USD and Euro denominated borrowings	**Base rate + (0.5%-2.95%)**	Base rate + 0,5%
	1.0% -7.5%	1.0%-6.3%
Other currency denominated borrowings	**Base rate + 0.24%**	-
	7.9%-11.5%	6.3% - 9.0%
Loan from Interbrew International B.V.	**-**	6.7%
Finance lease liabilities	**14.5%-15.0%**	7.0% - 8.3%

Repayments of long-term debt are scheduled as follows (excluding finance lease obligation):

	2006	2005
2006	-	18,394
2007	**22,204**	25,770
2008	**12,834**	12,834
2009	**298,075**	2,188
Thereafter	**-**	-
	333,113	59,186

Future minimum lease payments for finance lease liabilities are as follows:

	2006	2005
Next 1 year	**139**	295
1 to 5 years	**236**	722
After 5 years	**1,040**	1,039
Total minimum lease obligations	**1,415**	2,056
Interest	**(1,127)**	(1,104)
Present value of minimum obligations	**288**	952

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

13. OTHER NON-CURRENT LIABILITIES

	2006	2005
Liability for puttable instrument	**103,100**	76,601
Others	**786**	1,641
Total	**103,886**	78,242

14. SHARE CAPITAL AND RESERVES

	2006	2005
	Number of shares	Number of shares
Common shares, par value of EUR 1		
Authorized	**250,000,000**	250,000,000
Issued and outstanding	**211,428,569**	148,000,000

Movement in share capital

The movement of the share capital of the Company during 2006 and 2005 is as follows:

	2006		2005	
	Number of shares	**USD**	Number of shares	USD
At January 1,	**148,000,000**	**156,921**	148,000,000	156,921
Shares issued	**63,428,569**	**80,567**	-	-
At December 31	**211,428,569**	**237,488**	148,000,000	156,921

The Company conducted a share rights offering for 63,428,569 new ordinary shares, with a nominal value of EUR 1 to its existing shareholders Anadolu Efes, the Company's principal shareholder, and The Bank of New York, as depositary of the GDRs. The new ordinary shares of 18,891,340 out of for 63,428,569 new shares were offered in the form of GDRs, each representing five new ordinary shares. Anadolu Efes has participated in the share rights offering to the full extent of its holding of 70.22 per cent of the Company’s share capital. The Bank of New York has subscribed for 3,524,717 new GDRs and HSBC Bank plc has subscribed for the remaining 253,551 new GDRs.

The details of the capital increases are as follows:

Date	Number of shares issued	USD	
		At Par Value	Share Premium
November 2006	63,428,569	80,567	217,692

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

14. SHARE CAPITAL AND RESERVES (continued)

As at December 31, 2006 and 2005, the composition of shareholders and their respective % of ownership can be summarised as follows:

	2006	2005
Anadolu Efes	**70.22%**	70.22%
Public	**29.78%**	29.78%
Total	**100.00%**	100.00%

Currency Translation Reserve

The currency translation reserve is used to record the exchange differences arising on the translation of the financial statements of foreign subsidiaries.

15. EARNINGS PER SHARE

Basic earnings per share (EPS), which is same as fully diluted EPS is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted EPS computation:

	2006	2005
Net profit attributable to ordinary shareholders	**20,608**	20,122
Weighted average number of ordinary shares	**157,036,399**	148,000,000
EPS (in full U.S. Dollars)	**0.13**	0.14

16. COST OF REVENUE

Cost of revenue comprised the following expenses:

	2006	2005
Inventory used	**235,380**	184,215
Depreciation & Amortisation	**41,136**	27,748
Personnel expenses	**20,793**	13,748
Energy Expenses	**16,928**	10,673
Repair and maintenance expenses	**10,206**	8,225
Other expenses	**4,400**	8,581
Total expenses	**328,843**	253,190

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

17. SELLING AND MARKETING EXPENSES

Selling and marketing expenses are analyzed as follows:

	2006	2005
Marketing and advertising expenses	**70,283**	52,897
Distribution expenses	**51,583**	34,955
Personnel expenses	**26,781**	17,483
Depreciation & Amortisation	**12,170**	9,068
Other expenses	**19,796**	13,827
Total expenses	**180,613**	128,230

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include the following:

	2006	2005
Personnel expenses	**28,583**	18,829
Depreciation & Amortisation	**3,776**	4,568
Consulting and legal fees and other business services	**7,367**	3,825
Taxes and duties	**8,120**	3,758
Management fees and technical assistance	**6,119**	3,324
Rent expenses	**1,638**	1,470
Bad debt provision	**134**	1,060
Insurance expenses	**1,352**	806
Other expenses	**16,712**	9,637
Total expenses	**73,801**	47,277

19. OTHER OPERATING INCOME / (EXPENSE)

	2006	2005
Income on sale of soda drinks	**952**	3,660
Cost of sale of soda drinks	**(854)**	(3,373)
Gain on sale of joint venture and subsidiary (Refer to Note 3)	**1,779**	1,046
Provision for obsolete inventory	**(1,834)**	(1,832)
Loss on disposal of property, plant and equipment	**(813)**	(691)
Impairment of property, plant and equipment (Refer to Note 8)	**(70)**	(1,445)
Dividend income	**173**	112
Other (expense)/income	**380**	(298)
Total other income/(expenses)	**(287)**	(2,821)

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

20. PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

	2006	**2005**
Wages and salaries	**65,596**	42,377
Other social expenses	**10,561**	7,683
Total expenses	**76,157**	50,060

The average number of employees for the years was:

	2006	2005
Russia	**2,909**	1,684
Moldova	**630**	779
Kazakhstan	**668**	747
Serbia and Montenegro	**445**	511
Ukraine	**98**	108
Romania	**114**	122
The Netherlands	**8**	4
	4,872	3,955

21. DEPRECIATION AND AMORTISATION EXPENSES

	2006	2005
Property, plant and equipment		
Cost of revenue	**41,070**	27,678
Selling and marketing	**12,158**	9,058
General and administrative	**3,409**	2,982
Sub-total depreciation expense	**56,637**	39,718
Intangible assets		
Cost of revenue	**66**	70
Selling and marketing	**12**	10
General and administrative	**367**	1,586
Sub-total amortisation expense	**445**	1,666
Total depreciation and amortisation expenses	**57,082**	41,384

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

22. FINANCIAL INCOME/ (EXPENSE)

	2006	2005
Interest income	**5,685**	3,036
Foreign currency exchange gains	**8,768**	-
Total financial income	**14,453**	3,036
Interest expense on borrowings	**(38,261)**	(6,006)
Interest expense on finance lease	**(157)**	(481)
Foreign currency exchange losses	**-**	(8,983)
Other financial expense	**(2,589)**	(1,468)
Total financial expense	**(41,007)**	(16,938)
Net financial expense	**(26,554)**	(13,902)

Net financial expense for the years ended December 31, 2006 and 2005 is stated net of government grants. In 2006 there is no government grant received (2005 - USD 254).

23. INCOME TAXES

	2006	2005
Current tax expense	**(13,327)**	(11,840)
Deferred tax income/(expense) relating to the origination and reversal of temporary differences	**5,908**	(4,988)
Total income tax	**(7,419)**	(16,828)

The reconciliation of the total income tax to the theoretical amount is as follows:

	2006	2005
Profit before tax	**28,831**	35,803
Dividend income	**(173)**	(112)
Gain on sale of joint venture and subsidiary	**(1,779)**	(1,046)
Tax effect of loss making subsidiaries	**11,100**	14,655
Permanent differences between IFRS and statutory results	**-**	16,187
Taxable profit	**37,979**	65,487
Tax calculated at the Company's tax rate of 29.6% in 2006 and 31.5% in 2005	**(11,242)**	(20,628)
Impact of different tax rates in other countries	**3,622**	5,251
Non deductible expenses	**(3,332)**	(2,915)
Over provided in prior years	**1,895**	533
Utilization of previously unused tax losses	**1,619**	3,820
Effect of tax incentives	**1,350**	40
Tax losses carried forward	**495**	-
Change in tax rate	**(63)**	(442)
Other reconciling items	**(1,763)**	(2,487)
Total income tax	**(7,419)**	(16,828)

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

24. DEFERRED TAXES

Components of deferred tax assets and liabilities are as follows:

	Assets		Liabilities		Net	
	2006	2005	**2006**	2005	**2006**	2005
Accruals	**9,792**	7,475	**-**	-	**9,792**	7,475
Inventory	**342**	345	**(160)**	27	**182**	372
Tax loss carried forward	**10,305**	3,307	**-**	-	**10,305**	3,307
Prepayments	**-**	-	**(198)**	(162)	**(198)**	(162)
Tangible assets	**-**	-	**(19,164)**	(21,425)	**(19,164)**	(21,425)
Other	**61**	490	**(2,539)**	(2,117)	**(2,478)**	(1,627)
	20,500	11,617	**(22,061)**	(23,677)	**(1,561)**	(12,060)

	2006	2005
Net deferred income tax liability	**(12,260)**	(13,104)
Deferred income tax asset - tax loss carried forward	**10,699**	1,044
	(1,561)	(12,060)

Deferred tax arises on the above in the following circumstances:

- property, plant and equipment: accelerated tax depreciation lead to tax bases lower than carrying amounts;
- buildings and other investments (available-for-sale and trading investments) have different tax bases and carrying amounts because revaluation is only done for accounting purposes. In the case of buildings carried at revalued amounts and of available-for-sale investments, deferred tax is taken directly to equity (except when revaluation increase or decrease is recognised in income);
- inventories may have carrying amounts lower than tax bases due to the elimination of unrealized profits on intercompany sales;
- deferred charges are in some countries allowed to be fully deducted in the period in which they are incurred whereas they may be charged to income over a longer period;
- some provisions may not be tax deductible in some countries until a payment is made to settle the obligation;
- fair value adjustments upon acquisition of a subsidiary may impact all of the above captions.

As of December 31, 2006, a deferred tax assets of USD 2,660 (2005 - USD 1,907) has not been recognised related to tax losses carried forward, which are not expected to be utilised in the foreseeable future. Tax losses of USD 355 and USD 324 will expire within 1 and 7 years, respectively, while USD 1,981 will expire between 8 and 10 years.

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

24. DEFERRED TAXES (continued)

Movements in deferred tax during the year 2006 are as follows:

	Balance at January 1, 2006	Additions through subsidiary acquired	Disposals through subsidiary sold	Recognised in income statement	Translation effect	**Balance at December 31, 2006**
Accruals	**7,475**	-	-	1,580	737	**9,792**
Inventory	**372**	143	-	(331)	(2)	**182**
Tax loss carried forward	**3,307**	84	-	6,883	31	**10,305**
Prepayments	**(162)**	-	97	(149)	16	**(198)**
Tangible assets	**(21,425)**	5,098	199	(1,532)	(1,504)	**(19,164)**
Other	**(1,627)**	(316)	3	(543)	5	**(2,478)**
	(12,060)	**5,009**	**299**	**5,908**	**(717)**	**(1,561)**

Movements in deferred tax during the year 2005 are as follows:

	Balance at January 1, 2005	Additions through subsidiary acquired	Disposals through subsidiary sold	Recognised in income statement	Translation effect	**Balance at December 31, 2005**
Accruals	3,491	-	-	4,181	(197)	**7,475**
Inventory	718	-	-	(329)	(17)	**372**
Tax loss carried forward	8,021	-	-	(4,137)	(577)	**3,307**
Prepayments	(271)	-	-	86	23	**(162)**
Tangible assets	(17,378)	-	-	(4,879)	832	**(21,425)**
Other	(1,716)	-	-	90	(1)	**(1,627)**
	(7,135)	**-**	**-**	**(4,988)**	**63**	**(12,060)**

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

25. NOTES TO CASH FLOW STATEMENTS

Cash flows from acquisition and disposal of subsidiaries:

	2006		2005	
	Acquisitions	**Disposal**	Acquisitions	Disposal
Cash and cash equivalents	**50,133**	**(24)**	22	-
Trade receivables	**2,670**	**(42)**	-	-
Due from related parties	**1,293**	**(9,610)**	1,758	-
Inventories-net	**27,641**	**(2,511)**	-	-
Other current assets	**16,255**	**(135)**	194	-
Property, plant and equipment-net	**206,985**	**(29,393)**	319	-
Intangible assets	**83,960**	**-**	-	-
Deferred tax assets	**5,009**	**-**	-	-
Other non-current asset	**10**	**(1,683)**	2,399	-
Trade and other payables	**(4,714)**	**2,440**	(1)	-
Due to related parties	**(1,804)**	**2,677**	(508)	-
Short-term loans	**(62,279)**	**2,813**	(6,545)	-
Other current liabilities	**(20,633)**	**1,932**	(28)	-
Income tax payable	**(4)**	**99**	-	-
Long-term debt – net of current portion	**-**	**517**	-	-
Deferred tax liability	**-**	**299**	-	-
Accumulated exchange differences	**-**	**7,825**	-	-
Fair value of net assets	**304,522**	**(24,796)**	(2,390)	-
Net assets acquired/sold	**281,196**	**(24,796)**	(2,194)	-
Recognised as decrease in retained earnings	**-**	**-**	2,294	-
Goodwill	**85,481**	**-**	-	-
Gain on sale of shares of subsidiary	**-**	**1,779**	-	-
Total purchase/sale consideration	**366,677**	**(26,575)**	100	-
Net cash acquired with subsidiary	**(50,133)**	**-**	(22)	-
Net cash sold with subsidiary	**-**	**24**	-	-
Net cash inflow/outflow for the initial acquisition	**316,544**	**(26,551)**	78	-
Disposal of an available-for-sale investment	**-**	**(155)**	-	-
Acquired minority shares of Efes Ukraine	**-**	**-**	1,677	-
Acquired minority shares of KV Group	**1,627**	**-**	-	-
Acquired minority shares of Efes Moscow	**168,494**	**-**	-	-
Net cash outflow/inflow for the period ended	**486,665**	**(26,706)**	1,755	-

The net assets acquired of USD 281,196 represents 92.3% of KV Group's net assets and net assets disposed of USD 24,796 represents 49.99% of Interbrew Efes' net assets which was consolidated on a proportionate basis till the date of disposal.

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

26. FINANCIAL INSTRUMENTS

Financial Risk Management

Credit risk

The credit risk of the Group is primarily attributable to its trade receivables. The Group has its credit control policies and procedures in place and the exposure to credit risk is monitored on an ongoing basis. The credit risk arising from the transactions with customers is mitigated through operating with agreed credit limits and diversification of customers. Management believes that the provisions made are sufficient to cover expected losses.

Interest rate risk

The Group mainly enters into LIBOR based contracts in its financial borrowings. As of December 31, 2006, 2% of the Group's long-term debt was at fixed rates (December 31, 2005, 19%).

The weighted average effective interest rates which are calculated from different types of currencies, as at December 31, 2006 are as follows:

Fixed rate bank loans & bonds	9.9%
Floating rate bank loans	Applicable Base Rate + 1.7%

Foreign exchange risk

Foreign currencies play a significant role in the economies of the territories where the most of the subsidiaries of the Company are operating. The significant part of cash outflows related to financing activities as well as some part of accounts payable balances are hard currency denominated, while cash inflows are primarily denominated in national currencies. Consequently, any significant decline in the value of the measurement currencies of the subsidiaries against U.S. Dollars may have a negative effect on the subsidiaries' financial position and results of their operations.

The subsidiaries generally do not hedge their foreign currency risks. The governments of these countries have established strict currency controls, which place restrictions on the conversion of national currencies into hard currencies and establish requirements for conversion of hard currency sales to national currencies.

Net foreign currency liability position of the Group as of December 31, 2006 is approximately USD 249 million (December 31, 2005, net foreign currency asset position of USD 0.1 million).

Liquidity risks

Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Group within the normal terms of trade. To manage this risk the Group periodically assesses the financial viability of customers.

Fair Values

The fair values of trade receivables and other current assets (net of provision) and trade and other payables are estimated to approximate carrying value due to their short-term nature.

The fair values of short-term and long-term leasing obligations approximate their carrying values since they are denominated in foreign currencies and revalued at year-end exchange rates.

The fair value of long-term debt is estimated to approximate its carrying value since it is primarily denominated in foreign currencies and is revalued at year-end exchange rates, a substantial portion of long-term debt carries variable interest rates.

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

27. LEASES

Lessee - Finance Lease

Property leased by the Group includes buildings, machinery and equipment. The most significant obligations assumed under the lease terms, other than rental payments, are the upkeep of the facilities, insurance and property taxes. Lease terms generally range from 3 to 25 years with options to renew at varying terms.

The following is an analysis of assets under finance leases:

	2006	2005
Machinery and equipment	**119**	2,056
Other tangible assets	**416**	281
Accumulated depreciation	**(159)**	(677)
Net book value	**376**	1,660

Lessee - Operating Lease

In December 2006, there is no prepayment for operating leases (2005- 1,463).

The brewery of Efes Moscow is situated on a site leased from the Moscow City Government under a 49-year lease contract to be expired by 2048. The lease rights, as well as fixed assets, are mortgaged for the full carrying amounts to secure obligations of Efes Moscow under the loan agreements with the EBRD. The fair value of the future payment obligations of Efes Moscow to Moscow City Government under the land lease agreement for the remaining life time of the contracts amount to USD 1,944 (2005 – USD 1,791)

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

28. SEGMENT REPORTING

The Group's risks and rates of return are affected predominantly by the fact that it operates in different countries which is considered to be the primary segment and the secondary segment is the business. The Group is in a single product business and products other than beer represent less than 10% of the Group's sales. Segment information is presented in respect of the Group's geographical segments based on location of its assets and customers. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Russia & Kazakhstan		Serbia & Moldova		Others & Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
External Revenues	**566,628**	405,488	**60,653**	56,513	**11,648**	19,222	**638,929**	481,223
Gross Profit	**284,201**	202,338	**22,736**	20,253	**3,149**	5,442	**310,086**	228,033
Operating expenses (-)	**(224,342)**	(150,845)	**(26,399)**	(23,535)	**(3,960)**	(3,948)	**(254,701)**	(178,328)
Operating Income	**59,859**	51,493	**(3,663)**	(3,282)	**(811)**	1,494	**55,385**	49,705
Financial Expense - net	**(8,229)**	(6,514)	**(1,075)**	(2,736)	**(17,249)**	(4,652)	**(26,553)**	(13,902)
Profit Before Tax	**51,630**	44,979	**(4,738)**	(6,018)	**(18,060)**	(3,158)	**28,832**	35,803
Segment Assets	**815,597**	396,784	**94,139**	79,446	**618,029**	302,511	**1,527,765**	778,741
Investment in Associates	**-**	-	**64**	167	**1,511**	1,511	**1,575**	1,678
Total Assets	**815,597**	396,784	**94,203**	79,613	**619,540**	304,022	**1,529,340**	780,419
Segment Liabilities	**259,782**	135,347	**33,777**	32,370	**463,757**	204,986	**757,316**	372,703
Purchase of property, plant and equipment	**(105,169)**	(66,898)	**(15,288)**	(17,738)	**(3,796)**	(5,229)	**(124,193)**	(89,865)
Depreciation&Amortization expenses	**46,710**	31,094	**7,926**	6,536	**2,446**	3,754	**57,082**	41,384
Other non cash items	**532**	385	**1,778**	2,646	**(2,142)**	1,003	**168**	4,034

29. RELATED PARTY BALANCES AND TRANSACTIONS

For the purposes of the consolidated financial statements, the shareholders of the Company and their associates and the companies, which are identified to be controlled by/associated with them, are referred to as related parties.

1) Balances with Related Parties

Balances with related parties as of December 31, 2006 and 2005, which are separately classified in the consolidated balance sheet, are as follows:

Due from related parties	**2006**	2005
Efes Holland Technical Management Consultancy N.V. (Efes Holland) (2)	**2,439**	4,554
Coca-Cola Bottlers Kazakhstan Almaty (Coca-Cola Almaty) (2)	**370**	364
Coca-Cola Bishkek Bottlers C.J.S.C (Coca-Cola Bishkek) (2)	**519**	351
Mutena Maltery (3)	**147**	126
Total	**3,475**	5,395

(Currency – Thousands of U.S. Dollars unless otherwise indicated)

29. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Due to related parties	**2006**	2005
Efes Holland (2)	**15,434**	12,952
Mutena Maltery (3)	**4,327**	3,583
Oyex Handels Gmbh (2)	**1,540**	2,970
Efpa (2)	**10**	608
Anadolu Efes (1)	**118**	384
ABH (2)	**719**	-
Total	**22,148**	20,497

2) Transactions with Related Parties

Transactions with related parties are done at normal market conditions. The most significant transactions with related parties during the year ended December 31, 2006 are as follows:

Nature of Transaction	Related Party	Amount
Participation in the share rights offering by	Anadolu Efes (1)	210,661
Management and license fee expense to;	Efes Holland (2)	6,102
Sale of beer to;	Coca-Cola Bishkek (2)	938
Sale of beer to;	Coca-Cola Almaty (2)	10,862
Purchase of soda drinks from;	Coca-Cola Almaty (2)	775
Purchase of raw materials from;	Oyex Handels Gmbh (2)	6,062
Purchase of beer from;	Anadolu Efes (1)	201
Processing services from;	Mutena Maltery (3)	5,637
Heating and water services given to;	Mutena Maltery (3)	1,141
Purchase of materials from;	Coca-Cola Astana (2)	21
Purchase of service from;	ABH (2)	432

(1) The ultimate shareholder of the Company
(2) Related party of Anadolu Efes
(3) Company’s investment

3) Emoluments of the Board of Directors

a) The remuneration of management board of USD 284 (2005 – USD 259) and supervisory board of USD 125 (2005 – USD 85) were included in personnel expenses.
b) No shares are held by the members of directors of the Company.
c) There are no share options granted to the directors of the Company.
d) No loans have been granted to the directors of the Company.

30. COMMITMENTS AND CONTINGENCIES

Put options

A put option has been granted to the EBRD by the Company that may be exercisable between 2008 and 2011. By such put option, the EBRD will be entitled to sell its 8.8% of Efes Moscow shares to the Company at an option price to be determined by an independent valuation.

A put option has been granted to the OAO Krasny Vostok Agro that may be exercisable between 2007 and 2009. By such option, OAO Krasny Vostok Agro will have right to sell its 6.7% of KV Group shares to the Company at an option price either at in full USD 0.395 multiplied by number of shares plus interest accrued from the date of the option until the date of completion at a rate of LIBOR plus 4.9% or the consolidated EBITDA multiplied by a multiple of nine minus net indebtedness.

Following revised IAS 32 (Financial Instruments: Disclosure and Presentation), the obligation for the participating interest related with put options have been regarded as ‘liability for puttable instruments’ in the Group’s financial statements, to be stated at fair value. The liability for the put option has been measured by applying a weighting of different valuation techniques based on best estimates currently available. Subsequent changes to the valuation of the put options have been recorded as changes to ‘liability for puttable instruments’ and to goodwill, without any direct impact on the consolidated income statement.

The contingent considerations related with the put options granted to EBRD and OAO Krasny Vostok Agro of USD 103,100 (2005 - USD 76,601) and USD 24,202 (2005 - nil) have been presented as ‘liability for puttable instruments’ in other non-current liabilities and other current liabilities in the consolidated balance sheet, respectively. In order to give effect to the recognition of the liability for puttable instruments, the equity and net income attributable to the interest of minority shareholders of Efes Moscow and KV Group have been decreased by 8.8% and 6.7%, respectively. The excess of the liability for puttable instruments over the fair value of net assets of Efes Moscow and KV Group amounting to USD 85,089 (2005 - USD 58,322) and USD 3,799 (2005 - nil) have been recognised as goodwill in the consolidated balance sheet.

The variation in the ‘liability for puttable instruments’ reflects (i) an increase in the liability of USD 26,767 related to the reassessment of the contingent consideration for put option granted to EBRD (leading to an increase in the goodwill of USD 26,767) and (ii) a decrease in the liability of USD 268 due to dividends paid to EBRD.

Call option

A call option has been granted to the Company by EL&EL without a time limitation. By such option, the Company has the option to request EL&EL to sell all or any part of its 0.39% of Efes Moscow shares to the Company at a price equal to USD 4,602. The consideration related with the call option has been recognised as 'other short-term payables' in the consolidated balance sheet. In order to give effect to the recognition of the call option, the equity and net income attributable to the interest of minority shareholders of Efes Moscow has been decreased by 0.39%. The excess of the consideration over the fair value of net assets of Efes Moscow amounting to USD 3,539 has been recognised as goodwill in the consolidated balance sheet.

30. COMMITMENTS AND CONTINGENCIES (continued)

Tax and legal matters

Legislation and regulations regarding taxation and foreign currency transactions in most of the territories in which the Group operates continue to evolve as the government manages the transformation from a command to a market-oriented economy. Various regulations are not always clearly written and their interpretation is subject to the opinions of the local, regional and national tax authorities, the Central Bank and Ministry of Finance. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose significant fines, penalties and interest charges. These facts create tax risks in the territories in which the Group operates substantially more than typically found in countries with more developed tax systems.

Management believes that all applicable taxes have been paid or accrued and the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

31. SUBSEQUENT EVENTS

In February 2007, Efes Vitanta, subsidiary of the Company in Moldova, reached an agreement with The Coca-Cola Company ("TCCC") to sell Efes Vitanta's soft drink brand called "Viva" as well as "Real" brand of bottled water to TCCC.

In March 2007, Efes Moscow, subsidiary of the Company in Russia, announced their preparations for Rouble bond issue which will be used to restructure the existing financial debt with keeping the same overall indebtedness of the Company.