

Efes Breweries International N.V.

**Unaudited Interim Condensed Consolidated
Financial Statements**

**together with
Independent Auditors' Review Report**

June 30, 2010

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To: the Board of directors and General Meeting of Shareholders of Efes Breweries International N.V.

Review report

Introduction

We have reviewed the accompanying condensed consolidated interim financial statement for the six-month period ended 30 June 2010 of Efes Breweries International N.V., Amsterdam, which comprises the interim condensed consolidated statement of financial position as at 30 June 2010, the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flows and the selected explanatory notes for the six-month period then ended. The Board of Directors is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410 which applies to a review of interim financial information. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 23 August 2010

PricewaterhouseCoopers Accountants N.V.

Originally signed by Peter Dams, RA

Efes Breweries International N.V. and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2010

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

	Notes	June 30, 2010 (unaudited)	December 31, 2009 (audited)
ASSETS			
Current assets			
Cash and cash equivalents		193,720	219,142
Trade and other receivables		78,005	56,913
Due from related parties		418	479
Inventories		114,893	126,603
Prepayments and other current assets		32,951	29,349
Total current assets		419,987	432,486
Non-current assets			
Available-for-sale investments		3,001	3,001
Investments in associates		21,930	30,123
Property, plant and equipment	4	656,963	676,441
Intangible assets		438,946	456,137
Deferred tax asset		25,280	24,404
Prepayments and other non-current assets		4,806	4,354
Total non-current assets		1,150,926	1,194,460
Total assets		1,570,913	1,626,946
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		211,991	135,752
Due to related parties		13,415	18,309
Income tax payable		4,090	180
Short-term borrowings	5	9,296	26,615
Current portion of long-term borrowings	5	100,517	201,367
Total current liabilities		339,309	382,223
Non-current liabilities			
Long-term borrowings-net of current portion	5	445,250	473,652
Deferred tax liability		8,886	7,826
Other non-current liabilities		77,595	60,074
Total non-current liabilities		531,731	541,552
Equity			
Issued capital		237,488	237,488
Share premium		319,318	319,318
Currency translation reserve		(13,739)	19,247
Retained earnings		136,274	110,843
Equity attributable to equity holders of the parent		679,341	686,896
Non-controlling interests		20,532	16,275
Total equity		699,873	703,171
Total liabilities and equity		1,570,913	1,626,946

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Efes Breweries International N.V. and its Subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

For the six-months ended June 30, 2010

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

	Notes	June 30, 2010 (unaudited)	June 30, 2009 (unaudited)
Revenue	3	472,010	416,866
Cost of sales		(247,823)	(221,400)
Gross profit		224,187	195,466
Selling and marketing expenses		(131,114)	(101,079)
General and administrative expenses		(49,651)	(51,087)
Other operating income		2,482	2,421
Other operating expense		(5,663)	(4,558)
Operating profit	3	40,241	41,163
Financial income	7	11,415	5,521
Financial expense	7	(12,547)	(67,151)
Share of loss from associates		(2,584)	(3,967)
Profit / (Loss) before tax		36,525	(24,434)
Income tax		(6,823)	250
Profit / (Loss) for the period		29,702	(24,184)
<u>Attributable to:</u>			
Equity holders of the parent company		25,431	(21,416)
Non-controlling interests		4,271	(2,768)
<hr/>			
Earnings / (Loss) per share (in full U.S. Dollars)			
Basic		0.12	(0.10)
Diluted		0.12	(0.10)

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Efes Breweries International N.V. and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-months ended June 30, 2010

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

	June 30, 2010	June 30, 2009
	(unaudited)	(unaudited)
Profit / (Loss) for the period	29,702	(24,184)
Exchange differences on translation of foreign operations	(33,000)	(48,258)
Total comprehensive income for the period, net of tax	(3,298)	(72,442)
<u>Attributable to:</u>		
Equity holders of the parent company	(7,555)	(65,794)
Non-controlling interests	4,257	(6,648)

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Efes Breweries International N.V. and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-months ended June 30, 2010

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

	Attributed to equity holders of the parent					Non-controlling Interests	Total Equity
	Issued Capital	Share Premium	Currency Translation Reserve	Retained Earnings	Total		
At January 1, 2010	237,488	319,318	19,247	110,843	686,896	16,275	703,171
Net profit for the period	-	-	-	25,431	25,431	4,271	29,702
Other comprehensive income	-	-	(32,986)	-	(32,986)	(14)	(33,000)
Total comprehensive income	-	-	(32,986)	25,431	(7,555)	4,257	(3,298)
At June 30, 2010 (unaudited)	237,488	319,318	(13,739)	136,274	679,341	20,532	699,873
At January 1, 2009	237,488	319,318	48,503	110,451	715,760	22,280	738,040
Net loss for the period	-	-	-	(21,416)	(21,416)	(2,768)	(24,184)
Other comprehensive income	-	-	(44,378)	-	(44,378)	(3,880)	(48,258)
Total comprehensive income	-	-	(44,378)	(21,416)	(65,794)	(6,648)	(72,442)
Dividends of subsidiaries	-	-	-	-	-	(24)	(24)
At June 30, 2009 (unaudited)	237,488	319,318	4,125	89,035	649,966	15,608	665,574

The accompanying notes form an integral part of these interim condensed consolidated financial statements

Efes Breweries International N.V. and its Subsidiaries

INTERIM CONSOLIDATED CASH FLOW STATEMENT

For the six-months ended June 30, 2010

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

	Notes	June 30, 2010 (unaudited)	June 30, 2009 (unaudited)
Cash flows from operating activities			
Profit / (loss) before tax		36,525	(24,434)
Adjustments to reconcile profit before tax to cash flows			
Depreciation and amortization		48,684	40,776
Loss from disposal of property, plant and equipment	4	609	1,476
Provision for bad debt		622	226
Provision for inventories		716	367
Provision for litigation		-	287
Provision for vacation pay liability		1,924	818
Reversal of provision for bad debt		(145)	(406)
Reversal of provision for inventories		(1,529)	(1,093)
Share of loss of associates		2,584	3,967
Amortised borrowing costs		1,262	665
Unrealized foreign exchange (gain)/loss on loans		(11,167)	30,408
Interest income	7	(2,721)	(5,521)
Interest expense	7	10,675	22,480
Net income adjusted for non-cash items		88,039	70,016
(Increase) / decrease in trade receivables		(21,569)	470
Decrease in due from related parties		61	2,283
Decrease in inventories		12,523	30,676
(Increase) / decrease in other current assets		(3,521)	12,065
Increase in other non-current assets		(452)	(159)
Increase in trade and other payables		74,515	56,356
(Decrease) / increase in due to related parties		(4,894)	7,178
Decrease in other non-current liabilities		(4)	(6)
Interest received		2,590	4,610
Interest paid		(10,428)	(22,481)
Taxes paid		(1,796)	(2,493)
Net cash provided by operating activities		135,064	158,515
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(50,805)	(61,337)
Purchase of other intangible assets		(167)	(428)
Proceeds from sale of property, plant and equipment	4	3,273	897
Capital increase by non-controlling interests in subsidiaries		17,525	-
Payments to acquire shares of available-for-sale investments		-	(1,475)
Net cash used for investing activities		(30,174)	(62,343)
Cash flows from financing activities			
Proceeds from short-term and long term borrowings		-	35,694
Repayment of short-term and long term borrowings		(125,769)	(50,245)
Dividends paid to non-controlling interests in subsidiaries		-	(24)
Net cash used for financing activities		(125,769)	(14,575)
Net (decrease) / increase in cash and cash equivalents		(20,879)	81,597
Currency translation differences		(4,543)	(9,936)
Cash and cash equivalents at beginning of year		219,142	220,827
Cash and cash equivalents at the end of the period		193,720	292,488

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-months ended June 30, 2010

(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's ordinary shares are listed on the London Stock Exchange in the form of global depository receipts (GDRs) representing five Company ordinary shares.

The parent of the Company is Anadolu Efes Biracılık ve Malt Sanayii Anonim Şirketi (Anadolu Efes) or (the Parent Company). Anadolu Efes is a Turkish Corporation, which was established in Istanbul in 1966. The operations of Anadolu Efes consist of production, bottling, selling and distribution of beer under a number of trademarks and also production, bottling, selling and distribution of sparkling and still beverages with The Coca-Cola Company trademark. Certain shares of Anadolu Efes are listed on the Istanbul Stock Exchange.

The interim condensed consolidated financial statements of the Company for the six month period ended on June 30, 2010 were authorised for issue by the directors on August 23, 2010.

Nature of Activities of the Company/Group

The Company acts as a Dutch Holding company, facilitating investments in breweries. For the purpose of the interim condensed consolidated financial statements, the Company and its consolidated subsidiaries are referred to as (the Group).

List of Subsidiaries

The subsidiaries included in consolidation with their effective shareholding and voting rights percentages at June 30, 2010 and December 31, 2009 were as follows:

	Place of Incorporation	Principal Activities	June 30, 2010	December 31, 2009
CJSC Moscow-Efes Brewery (Efes Moscow) (i)	Russia	Production and marketing of beer	90.97	90.85
JSC AMSTAR (Amstar) (ii) (vi)	Russia	Production of beer	-	90.85
ZAO Efes Entertainment (Efes Entertainment) (ii)	Russia	Entertainment	90.97	90.85
CJSC Rostov Beverage (Rostov Beverages) (ii) (vi)	Russia	Lease	-	90.85
LLC Sary Melnik (ii)	Russia	Advertising	90.97	90.85
JSC Brewing Union «Krasny Vostok-Solodovbeer (KV Group) (i)	Russia	Production of beer	90.96	90.83
LLC KV - SibPivCompaniya (iii)	Russia	Production and marketing of beer	90.96	90.84
LLC Vostok solod (iii)	Russia	Production of malt	90.96	90.83
LLC Krasny Vostok – Invest (iii)	Russia	Finance	90.96	90.83
LLC T'sentralny Torgovy Dom Krasny Vostok (iii)	Russia	Trading house	90.96	90.83
CJSC MTD Krasny Vostok (iii)	Russia	Trading house	90.96	90.83
CJSC Samarskii Torgovyii Dom Krasny Vostok (iii)	Russia	Trading house	90.96	90.83
CJSC Saratovskii Torgovyii Dom Krasny Vostok (iii)	Russia	Trading house	90.96	90.83
LLC Volgogradskii Torgovyii Dom Krasny Vostok (iii)	Russia	Trading house	90.96	90.83
LLC Kurskii Torgovyii Dom Krasny Vostok (iii)	Russia	Trading house	90.96	90.83
LLC Nizhegorodskii Torgovyii Dom Krasny Vostok (iii)	Russia	Trading house	90.96	90.83
JSC Efes Karaganda Brewery (Efes Karaganda)	Kazakhstan	Production and marketing of beer	72.00	72.00
LLP Dinal (Dinal) (iv)	Kazakhstan	Distribution of beer	72.00	72.00
Efes Vitanta Moldova Brewery S.A. (Efes Moldova)	Moldova	Production and marketing of beer and low alcoholic drinks	96.50	96.50
JSC Lomisi (Efes Georgia)	Georgia	Production and marketing of beer and soft drinks	100.00	100.00
Euro-Asian Brauerein Holding GmbH (Euro Asian)	Germany	Investment company	100.00	100.00
Efes Romania Industrie Si Comert S.A. (ERIC) (v)	Romania	Distribution of beer	100.00	100.00
Efes Trade BY FLLC (Efes Belarus)	Belarus	Marketing of beer	100.00	100.00

(i) Following IAS 32, a further 9.03% interest has also been consolidated for Efes Moscow.

(ii) Subsidiaries of Efes Moscow.

(iii) Subsidiaries of KV Group.

(iv) Subsidiary of Efes Karaganda.

(v) In the process of being liquidated.

(vi) In March 2010, in accordance with the restructuring of the Efes Beer Group Companies located in Russia, the official merger process of Amstar and Rostov Beverages with Efes Moscow was completed.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-months ended June 30, 2010

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

1. GENERAL (continued)

Environments and Economic Conditions of Subsidiaries

The countries, in which some of 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 interim condensed consolidated financial statements have been prepared in compliance with IAS 34, "Interim Financial Reporting", as adopted by the European Union. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2009, which have been prepared in accordance with 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.

In preparation of the interim condensed consolidated financial statements of the Group, the same accounting policies and methods of computation have been followed as compared to the most recent annual financial statements except for the adoption of new standards and interpretations as of January 1, 2010, noted below.

Adoption of new and revised International Reporting Standards

New and amended standards and interpretations applicable as of January 1, 2010 are as follows:

IFRS 3 "Business Combinations" and IAS 27 "Amendments to Separate Financial Statements" (Revised): The revised version of IFRS 3 and amended version of IAS 27 were issued by IASB on January 10, 2008. IFRS 3 (revised) introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition related costs and recognizing subsequent changes after the reporting period in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such equity transaction will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

New and amended standards and interpretations applicable as of January 1, 2010 and does not have any effect on the Group's financial statements are as follows:

IFRS 1 (Amendment) "First Time Adoption of IFRS"
IFRS 2 (Amendment) "Share-based Payment" (Amendment) – "Vesting Conditions and Cancellation"
IAS 39 (Amendment) Financial Instruments: Recognition and Measurement – "Eligible Hedged Items"
IFRIC 17 "Distributions of Non-cash Assets to Owners"
IFRIC 18 "Transfer of Assets from Customers"

Efes Breweries International N.V. and its Subsidiaries

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six-months ended June 30, 2010 (Currency – Thousands of U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations issued that are effective subsequent to December 31, 2010:

IFRS 1 (Amendment) “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”
IFRS 9 “Measurement and Classification of Financial Assets”
IAS 24 (Amendment) “Related Party Disclosures”
IAS 32 (Amendment) “Classification of Rights Issues”
IFRIC 9 (Amendment) “Reassessment of embedded derivatives”
IFRIC 14 (Amendment) “Prepayments of a Minimum Funding Requirement”
IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”

Group is assessing the effects of these interpretations and amendments on its consolidated financial statements.

Impairment Testing

As a Group policy, the management performs impairment test for goodwill and brands with an indefinite useful life on an annual base. 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. Accordingly no grounds were identified for impairment charge as of December 31, 2009.

The Management believes that all of its management estimates and key assumptions which were used for impairment testing as of December 31, 2009 are still reasonable and there is no significant change in any of the key assumptions which would cause the carrying value materially to exceed its recoverable amount as of June 30, 2010.

Comparative Information

The Group has rearranged its presentation of foreign exchange gains and losses and presented the net amount in “foreign exchange losses, net” line under financial expense, which have been disclosed separately as financial income and financial expense in previous year consolidated income statement. Accordingly, reclassifications have been made to foreign exchange gains losses in the comparative balances to be in line with the current year presentation.

3. SEGMENT INFORMATION

The management monitors the operating results of its two business units separately for the purpose of making decisions about the resource allocation and performance assessment. The two of segments are “Russia & Moldova” and “Kazakhstan & Georgia”. Segment performance is evaluated based on operating profit which has been determined as the optimum indicator by the Group management for the evaluation of the performance of the operating segments by considering the comparability with the entities in the same business.

The following table presents revenue and operating profit information regarding the Group’s operating segments for the six-months ended June 30, 2010 and 2009, respectively.

	Russia & Moldova	Kazakhstan & Georgia	Others^(*) & Adjustments	Consolidated
June 30, 2010				
Revenue	362,857	109,163	(10)	472,010
Operating profit	19,590	22,819	(2,168)	40,241
June 30, 2009				
Revenue	328,367	89,098	(599)	416,866
Operating profit	33,660	11,143	(3,640)	41,163

Efes Breweries International N.V. and its Subsidiaries

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six-months ended June 30, 2010 (Currency – Thousands of U.S. Dollars unless otherwise indicated)

3. SEGMENT INFORMATION (continued)

Reconciliation of operating profit to profit before tax is provided as follows:

	June 30, 2010	June 30, 2009
Operating profit	40,241	41,163
Financial income	11,415	5,521
Financial expense	(12,547)	(67,151)
Share of loss from associates	(2,584)	(3,967)
Profit / (Loss) before tax	36,525	(24,434)

The following table presents the Group's segment assets as at June 30, 2010 and December 31, 2009:

Segment Assets	Russia & Moldova	Kazakhstan & Georgia	Others ^(*) & Adjustments	Consolidated
June 30, 2010	902,177	253,335	415,401	1,570,913
December 31, 2009	864,067	212,739	550,140	1,626,946

(*) The Company and other subsidiaries do not collectively and individually constitute a reportable segment, thus included in others & adjustments.

4. PROPERTY, PLANT AND EQUIPMENT

For the six month period ended June 30, 2010 and 2009, additions, disposals and transfers to property, plant and equipment were as follows:

	June 30, 2010			June 30, 2009		
	Additions	Transfers	Disposals, net	Additions	Transfers	Disposals, net
Land	-	-	-	34	-	-
Buildings	104	5,469	(663)	9	2,460	(63)
Infrastructure	-	32	-	-	1,448	(300)
Machinery and equipment	10,331	16,783	(1,747)	2,273	19,731	(741)
Motor vehicles	452	174	(134)	261	62	(562)
Other tangible assets	11,270	41	(1,338)	11,073	9	(707)
Construction in progress	28,648	(22,499)	-	47,687	(23,710)	-
	50,805	-	(3,882)	61,337	-	(2,373)

Disposals consist of USD 9,049 cost and USD 5,167 accumulated depreciation respectively (2009 – USD 5,586 and USD 3,213).

5. BORROWINGS

In February 2010, the Company repriced its term loan signed on July 6, 2009 and amounting USD 300 million (equivalent amount) with the consent of all of the banks at the original facility. Consequently, interest rate of both USD and EURO tranches declined to LIBOR+300 bps per annum and EURIBOR+300 bps per annum respectively from 475 bps per annum above the related benchmark rates. All other terms, including the maturity of the loan remains the same.

As of June 30, 2010, USD 447,141 (December 31, 2009 – USD 539,088) of the total borrowings are secured with a corporate guarantee amounting to USD 320,200 and EURO 107,000, provided by Anadolu Efes (December 31, 2009 – USD 390,000 and EURO 107,000).

Efes Breweries International N.V. and its Subsidiaries

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six-months ended June 30, 2010 (Currency – Thousands of U.S. Dollars unless otherwise indicated)

6. SHARE CAPITAL

	June 30, 2010	December 31, 2009
Common shares, 1 EUR, par value		
Authorized (number of shares)	250,000,000	250,000,000
Issued and outstanding (number of shares)	211,428,569	211,428,569

During the first half of 2010, Anadolu Efes acquired 11,187,288 the Company GDRs representing approximately 26.46% of the issued share capital of the Company from a group of shareholders at a price of USD 17.00 per GDR.

As at June 30, 2010, the composition of shareholders and their respective % of ownership can be summarized as follows:

	June 30, 2010	December 31, 2009
Anadolu Efes	99.92%	73.47%
Public	0.08%	26.53%
Total	100.00%	100.00%

As a result of holding over 95% of the outstanding issued share capital of the Company, Anadolu Efes intends to acquire the remaining Company shares by means of a squeeze-out procedure in accordance with article 2:92a of the Dutch Civil Code before the Enterprise Chamber of the Court of Appeals in Amsterdam, the Netherlands. The writ that introduces the squeeze-out procedure was issued on June 9, 2010. The squeeze-out process is anticipated to take between 4 to 9 months to complete, although it may take longer.

At the extraordinary general meeting of shareholders of the Company held in Amsterdam on June 28, 2010, the resolution approving the cancellation of the admission of the GDRs to the official list of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities was passed. In addition, amendment to the deposit agreement between the Company and The Bank of New York Mellon dated October 20, 2004 to permit such delisting was approved at the extraordinary general meeting. As the amendment to the deposit agreement became effective following the decision taken on the extraordinary general meeting of the shareholders of the Company, de-listing of the GDRs is anticipated to occur approximately three months after the date on which the extraordinary general meeting of shareholders has been held.

7. FINANCIAL INCOME / (EXPENSE)

	June 30, 2010	June 30, 2009
Interest income	2,721	5,521
Foreign currency exchange gains, net	8,694	-
Total financial income	11,415	5,521
Interest expense	(10,675)	(22,480)
Foreign currency exchange losses, net	-	(43,102)
Other financial expenses	(1,872)	(1,569)
Total financial expense	(12,547)	(67,151)
Net financial expense	(1,132)	(61,630)

Efes Breweries International N.V. and its Subsidiaries

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-months ended June 30, 2010

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

8. RELATED PARTY BALANCES AND TRANSACTIONS

For the purposes of the interim condensed consolidated financial statements, the major shareholder of the Company and its associates and the companies, which are identified to be controlled by/associated with it, are referred to as related parties.

Balances with Related Parties

Balances with related parties are separately classified in the interim condensed consolidated statement of financial position.

Transactions with Related Parties

The most significant transactions with related parties for the six-month period ended June 30, 2010 and 2009 were as follows:

Nature of Transaction	Related Party	June 30, 2010	June 30, 2009
Purchase of raw materials from;	Oyex Handels Gmbh ⁽¹⁾	4,985	7,784
Processing raw materials from;	Mutena Maltery ⁽²⁾	3,784	3,315
Management and license fee	Efes Holland ⁽¹⁾	3,595	4,654
Sale of services	Mutena Maltery ⁽²⁾	1,152	864
Purchase of beer and material from;	Anadolu Efes ⁽³⁾	454	246
Purchase of service from;	ABH ⁽¹⁾	322	487
Sale of beer to;	Coca-Cola Almaty ⁽¹⁾	114	231
Processing services from;	Efes Tur ⁽¹⁾	38	41
Processing services from;	Efes Pazarlama ⁽¹⁾	9	24
Purchase of raw material	Coca-Cola Almaty ⁽¹⁾	9	9
Dividend income from;	Mutena Maltery ⁽²⁾	-	275
Sale of beer to;	Coca-Cola Bishkek ⁽¹⁾	-	28

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

Emoluments of the Board of Directors

- (i) Total remuneration of management and supervisory board of USD 356 (2009 – USD 356) were included in personnel expenses.
- (ii) No shares are held by the members of directors of the Company.
- (iii) There are no share options granted to the directors of the Company.
- (iv) No loans have been granted to the directors of the Company.

9. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise of bank borrowings and finance leases. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Group's management reviews and agrees policies for managing each of these risks which are summarized below. The Group also monitors the market price risk arising from all financial instruments.

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9. FINANCIAL INSTRUMENTS (continued)

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 the integrity of 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.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The credit risk of the Group is primarily attributable to its trade receivables. Maximum credit risk on the Group is limited to the amounts disclosed on the financial statements. 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.

Credit risk from balances with banks and financial institutions is managed by finance managers in Group in accordance with Company's risk policy. Investments of surplus funds are made only with approved counterparties.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument (in one year or at the maturity) will fluctuate because of changes in market interest rates. The Group is exposed to interest rate fluctuations on domestic and international markets. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations. The Group mainly enters into LIBOR and EURIBOR based contracts in its financial 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. Significantly material part of company's sales is recognized in local currencies where its subsidiaries operate. 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.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Company's profit before tax translated using the weighted average exchange rate for the period.

Country	Currency	Change (%)	June 30, 2010		June 30, 2009	
			Increase	Decrease	Increase	Decrease
The Netherlands	EURO/USD	10%	(9,356)	9,356	6,169	(6,169)
Russia	USD/RUB	10%	(23,361)	23,361	(42,645)	42,645
Kazakhstan	USD/KZT	10%	(5,034)	5,034	(6,282)	6,282
Moldova	USD/MDL	10%	(1,988)	1,988	(2,599)	2,599
Georgia	USD/GEL	10%	(2,075)	2,075	(891)	891

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9. FINANCIAL INSTRUMENTS (continued)

Liquidity risks

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of financial liabilities and financial assets.

Capital Management

The Group's policy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. There were no major changes in Group's approach to capital management during the period.

Fair Values

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

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

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 period-end exchange rates.

10. COMMITMENTS AND CONTINGENCIES

Put options

The put option granted to The European Bank for Reconstruction and Development (EBRD) by the Company that may be exercisable between the 7th and the 10th anniversary of the date of the EBRD's first subscription in the share capital of Efes Moscow has been restructured and the exercisable period of the put option has been revised as between 2011 and 2015. 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. Previously, the put option was exercisable between 2007 and 2010.

In accordance with 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 consolidated statement of financial position, 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 and equity. In order to give effect to the recognition of the liability for puttable instruments, the equity and net income attributable to the non-controlling interests of Efes Moscow has been decreased by 8.8%.

According to the reassessment of the put option, the contingent consideration related with the put option granted to EBRD amounting to USD 77,580 has been presented as 'liability for puttable instruments' in "non-current liabilities" in the consolidated statement of financial position.

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10. 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.

On 23 July 1999, Efes Karaganda and the State Agency for Foreign Investments of Kazakhstan concluded a contract under which the Agency granted to Efes Karaganda tax preferences because of the investments to the economy of Kazakhstan. The related tax preferences were as follows:

- (i) full exemption of corporate income tax from July 1999 to August 2004 and one-half of the normal statutory rate until August 2007,
- (ii) full exemption of property tax from July 1999 to August 2004 and one-half of the normal statutory rate until July 2008 and,
- (iii) full exemption of land tax from July 1999 to August 2004 and one-half of the normal statutory rate until July 2006.

On 4 June 2008, the tax authorities started a tax audit of Efes Karaganda's tax liabilities for the years 2005, 2006 and 2007. On February 5, 2010, the tax authorities issued a tax audit act on the results of the audit in which they stated that the Efes Karaganda's investment contract is not valid because at the date of the signing of the contract, the production of beer was not in the list of the priority sectors of the economy qualifying for tax preferences. Based on this statement, the tax authorities concluded that the Efes Karaganda does not qualify for tax preferences under the contract, as the contract violates the provisions of Law No. 75-1 on State Support of Direct Investments, dated 28 February 1997.

The amount of additionally accrued taxes, fines and interest penalties for 2005-2007 with respect to this alleged violation of local investment legislation amounted to USD 2,012. Efes Karaganda disagreed with these assessments and appealed to the tax court. No provision for additionally accrued taxes, fines and interest penalties has been provided in the consolidated statement of financial position, because management believes that it is possible but not probable that an outflow of economic benefits will be required to settle the obligation. The ultimate outcome of the matter cannot presently be determined.

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.

11. EVENTS AFTER THE REPORTING PERIOD

In July 2010, the Group acquired 62.96% shares of Open Joint Stock Company Knyaz Rurik, which owns 80.02% of Mutena Maltery shares, from Specialized State-Owned Unitary Enterprise for Sale of Property of the City of Moscow, through a public auction process approximately for a cash consideration of USD 12,280.

A loan agreement has been signed between Efes Georgia and EBRD amounting up to EUR 10,000 or USD equivalent on July 20, 2010.

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