

**Efes Breweries International N.V.
and its Subsidiaries**

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

TABLE OF CONTENTS

	<u>Page</u>
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 Shareholders of
EFES Breweries International N.V.

AUDITOR'S 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.



ERNST & YOUNG Accountants
Initialled for identification purposes only

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.

Efes Breweries International N.V. and its Subsidiaries

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
<u>Attributable to :</u>			
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
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>			
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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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	-

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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 „Nizhnepetrolskii 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 Pivdena 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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

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

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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

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

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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

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

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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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

Goodwill

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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

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

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 life for the brands is assessed to be indefinite and therefore brands are not amortised. The brands are tested for impairment annually. The useful life 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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

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

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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

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

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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

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

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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

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

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 Meil 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 Snai 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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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
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

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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%.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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		
<i>Non-current</i>		
USD and EURO denominated borrowings	Base rate + (1.55%-3.65%)	Base rate + (2.95%-3.65%) 2.0%
<i>Current</i>		
USD and Euro denominated borrowings	Base rate + (0.5%-2.95%) 1.0% -7.5%	Base rate + 0,5% 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

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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)

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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)

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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)
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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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)

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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)

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

(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 210 (2005 – USD 220) and supervisory board of USD 125 (2005 – USD 72) 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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

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

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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

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

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.