

# **Efes Breweries International N.V.**

**Unaudited Interim Condensed Consolidated  
Financial Statements**

**together with  
Independent Auditors' Review Report**

**June 30, 2006**

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Review Report	1
Unaudited Interim Condensed Consolidated Balance Sheet	2
Unaudited Interim Condensed Consolidated Statement of Income	3
Unaudited Interim Condensed Consolidated Statement of Changes in Equity	4
Unaudited Interim Condensed Consolidated Statement of Cash Flows	5
Selected Notes to the Unaudited Interim Condensed Consolidated Financial Statements	6-16

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

## REVIEW REPORT

### *Introduction*

We have reviewed the accompanying interim condensed consolidated balance sheet of Efes Breweries International N.V. (the 'Company'), Amsterdam, as at June 30, 2006 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Company's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ('IAS 34'). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. 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 International Standards on Auditing 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Amsterdam, August 24, 2006

for Ernst & Young Accountants



C.N.J. Verhart



ERNST & YOUNG  
ACCOUNTANTS  
INITIALED FOR  
IDENTIFICATION PURPOSES ONLY

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

### INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2006

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

#### ASSETS

	Notes	June 30, 2006 (unaudited)	December 31, 2005 (audited)
<b>Current assets</b>			
Cash and cash equivalents		191,910	96,860
Trade and other receivables		53,259	38,032
Due from related parties		7,200	5,395
Inventories		98,050	55,183
Prepayments and other current assets		47,757	27,237
<b>Total current assets</b>		<b>398,176</b>	<b>222,707</b>
<b>Non-current assets</b>			
Investments in securities	6	1,676	1,678
Property, plant and equipment	7	634,358	343,602
Intangible assets	8	382,307	209,209
Deferred tax assets		7,680	1,044
Prepayments and other non-current assets		3,617	2,179
<b>Total non-current assets</b>		<b>1,029,638</b>	<b>557,712</b>
<b>Total assets</b>		<b>1,427,814</b>	<b>780,419</b>

#### LIABILITIES AND EQUITY

	Notes	June 30, 2006 (unaudited)	December 31, 2005 (audited)
<b>Current liabilities</b>			
Trade and other payables		102,533	149,466
Due to related parties		20,921	20,497
Income tax payable		3,463	746
Short-term borrowings	10	694,185	50,511
Current portion of long-term borrowings	10	17,990	18,653
<b>Total current liabilities</b>		<b>839,092</b>	<b>239,873</b>
<b>Non-current liabilities</b>			
Long-term borrowings-net of current portion	10	23,675	41,484
Deferred tax liability		14,991	13,104
Other non-current liabilities	5	78,093	78,242
<b>Total non-current liabilities</b>		<b>116,759</b>	<b>132,830</b>
<b>Equity</b>			
Issued capital	4	156,921	156,921
Share premium		101,626	101,626
Currency translation reserve		42,454	14,532
Retained earnings		122,238	109,759
<b>Equity attributable to equity holders of the parent</b>		<b>423,239</b>	<b>382,838</b>
<b>Minority interests</b>		<b>48,724</b>	<b>24,878</b>
<b>Total equity</b>		<b>471,963</b>	<b>407,716</b>
<b>Total liabilities and equity</b>		<b>1,427,814</b>	<b>780,419</b>

The accompanying policies and explanatory notes on pages 6 through 16 form an integral part of these interim condensed consolidated financial statements.

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

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the period ended June 30, 2006

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

	Notes	Six-month period ended June 30, 2006 (unaudited)	Six-month period ended June 30, 2005 (unaudited)
Sales	11	292,129	221,683
Cost of sales		(151,715)	(119,213)
Gross profit		140,414	102,470
Selling and marketing expenses		(78,896)	(60,292)
General and administrative expenses		(32,113)	(24,656)
Other operating expense		(1,342)	(445)
Profit from operations		28,063	17,077
Financial expense		(8,256)	(9,965)
Profit before tax		19,807	7,112
Income tax		(6,938)	(7,233)
Profit/(loss) after tax		12,869	(121)
<u>Attributable to:</u>			
Minority Interests		390	2,089
Equity holders of the parent		12,479	(2,210)
Earnings per share (in full amounts of U.S. Dollars)			
Basic		0.08	(0.01)
Diluted		0.08	(0.01)

The accompanying policies and explanatory notes on pages 6 through 16 form an integral part of these interim condensed consolidated financial statements.

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

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended June 30, 2006

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

	Attributable to the Equity Holders of the Parent Company				Total	Minority Interests	Total Equity
	Share Capital	Share Premium	Currency Translation Reserve	Retained Earnings			
<b>Balance at January 1, 2005</b>	<b>156,921</b>	<b>101,626</b>	<b>30,886</b>	<b>91,931</b>	<b>381,364</b>	<b>73,144</b>	<b>454,508</b>
Foreign currency translation	-	-	(12,028)	-	(12,028)	(2,842)	(14,870)
Total income and expense for the period recognized directly in equity			(12,028)	-	(12,028)	(2,842)	(14,870)
Net profit for the period	-	-	-	(2,210)	(2,210)	2,089	(121)
Total income and expense for the period	-	-	(12,028)	(2,210)	(14,238)	(753)	(14,991)
Dividends of subsidiaries	-	-	-	-	-	(901)	(901)
<b>At June 30, 2005</b>	<b>156,921</b>	<b>101,626</b>	<b>18,858</b>	<b>89,721</b>	<b>367,126</b>	<b>71,490</b>	<b>438,616</b>
<b>Balance at January 1, 2006</b>	<b>156,921</b>	<b>101,626</b>	<b>14,532</b>	<b>109,759</b>	<b>382,838</b>	<b>24,878</b>	<b>407,716</b>
Foreign currency translation	-	-	27,922	-	27,922	2,073	29,995
Total income and expense for the period recognized directly in equity	-	-	27,922	-	27,922	2,073	29,995
Net profit for the period	-	-	-	12,479	12,479	390	12,869
Total income and expense for the period	-	-	27,922	12,479	40,401	2,463	42,864
Dividends of subsidiaries	-	-	-	-	-	(325)	(325)
Additions through subsidiaries acquired	-	-	-	-	-	21,708	21,708
<b>At June 30, 2006</b>	<b>156,921</b>	<b>101,626</b>	<b>42,454</b>	<b>122,238</b>	<b>423,239</b>	<b>48,724</b>	<b>471,963</b>

The accompanying policies and explanatory notes on pages 6 through 16 form an integral part of these interim condensed consolidated financial statements.

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

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended June 30, 2006

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

	Six-month period ended June 30, 2006 (unaudited)	Six-month period ended June 30, 2005 (unaudited)
<b>Cash flows from operating activities</b>		
Net profit before minority interest and income tax	19,807	7,112
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Depreciation and amortization	26,157	19,388
Provision for bad debt	101	276
Provision for inventories	1,292	1,021
Income recognized from reversal of provision for bad debt	(747)	(42)
Income recognized from reversal of provision for inventories	(194)	(161)
Impairment in property, plant and equipment	-	(55)
Reserve for vacation pay liability	1,071	349
Provision for other assets	(1,383)	(9)
Loss from disposal of property, plant and equipment	272	124
Interest expense	16,515	3,299
Interest income	(2,493)	(1,486)
<b>Net income adjusted for non-cash items</b>	<b>60,398</b>	<b>29,816</b>
(Increase)/decrease in inventories	(16,324)	(7,992)
(Increase)/decrease in trade receivables	(11,911)	(7,844)
(Increase)/decrease in in due from related parties	(512)	(23)
Increase/(decrease) in trade and other payables	34,817	17,899
(Decrease)/increase in due to related parties	(1,380)	3,523
(Increase)/decrease in other current assets	(4,279)	(12,755)
(Increase)/decrease in other non-current assets	(1,428)	1,683
(Decrease)/increase in other non-current liabilities	(149)	1,167
Taxes paid	(3,366)	(3,817)
Interest received	2,528	1,409
Interest paid	(12,938)	(3,015)
<b>Net cash provided by operating activities</b>	<b>45,456</b>	<b>20,051</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(81,302)	(54,587)
Proceeds from sale of property, plant and equipment	1,401	411
Acquisition of subsidiaries, net of cash acquired	(427,079)	-
Dividends paid to minority shareholders	(325)	(901)
<b>Net cash used in investing activities</b>	<b>(507,305)</b>	<b>(55,077)</b>
<b>Cash flows from financing activities</b>		
Net increase/(decrease) in short-term debt	562,196	34,731
Proceeds from long-term debt	139	-
Repayment of long-term debt	(9,271)	(9,151)
<b>Net cash provided by financing activities</b>	<b>553,064</b>	<b>25,580</b>
Currency translation differences	3,835	(471)
Net increase/(decrease) in cash and cash equivalents	95,050	(9,917)
Cash and cash equivalents at beginning of year	96,860	134,668
<b>Cash and cash equivalents at end of period</b>	<b>191,910</b>	<b>124,751</b>

The accompanying policies and explanatory notes on pages 6 through 16 form an integral part of these interim condensed consolidated financial statements.

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the period ended June 30, 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 office of the Company is located at Strawinskylaan 1227, 1077XX Amsterdam, the Netherlands.

In October 2004, 41,770,065 ordinary shares of the Company, each with a nominal value of EUR 1 per share were offered, in the form of global depository receipts (GDR's) representing an interest in five shares constituting 8,354,013 GDR's. The GDR's are 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.

#### Nature of Activities of the Company/Group

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

For the purpose of the unaudited 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 and their shareholding percentages at June 30, 2006 and December 31, 2005 are as follows:

	Place of Incorporation	Principal Activities	Effective Shareholding and voting rights %	
			June 30, 2006	December 31, 2005
ZAO Moscow-Efes Brewery (Efes Moscow) (iii)	Russia	Production and marketing of beer	83.37	71.00
OAo Amstar (Amstar) (i)	Russia	Production of beer	83.37	71.00
ZAO Efes Entertainment (Efes Entertainment) (i)	Russia	Entertainment	70.86	60.35
Rostov Beverages C.J.S.C. (Rostov Beverages) (i)	Russia	Production of beer	83.37	71.00
OAo Krasny Vostok Solodovpivo (KV Group)	Russia	Production and marketing of beer	92.85	-
ZAO Siberian Brewery Company(iv)	Russia	Production of beer	97.53	-
OOO Vostok Solod(iv)	Russia	Production of malt	92.85	-
OOO KV-Invest(iv)	Russia	Finance	92.85	-
OOO T'sentralny Torgovy Dom(iv)	Russia	Trading house	92.85	-
ZAO Moskovskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
ZAO Samarskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
ZAO Saratovskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
ZAO Ufinskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Barnaulskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Volgogradskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Voronezhskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Donskoi Torgovyii Dom (iv)	Russia	Trading house	92.85	-



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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the period ended June 30, 2006 (Currency – Thousands of U.S. Dollars unless otherwise indicated)

	Place of Incorporation	Principal Activities	Effective Shareholding and voting rights %	
			June 30, 2006	December 31, 2005
OOO Ekaterinburgskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Kemerovskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Krasnodarskii torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Krasnoyarskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Kurskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Nizhegorodskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Nizhnekamskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Novosibirskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Omskii Dom (iv)	Russia	Trading house	92.85	-
OOO Permskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Rostovskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Sankt-Peterburgskii torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Tomskii Torgovyii Dom (iv)	Russia	Trading house	92.85	-
OOO Chelyabinskii Torgovyii Dom (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)	Romania	Production of beer	49.99	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)	Serbia & Montenegro (Serbia)	Production and marketing of beer	83.53	83.53
Efes Zajecar Brewery d.o.o (Efes Zajecar)	Serbia	Production and marketing of beer	72.96	72.96
Euro-Asian Brauerein Holding GmbH (Euro Asian)	Germany	Investment company	100.00	100.00
Efes Commerce d.o.o Belgrade (Efes Commerce) (v)	Serbia	Production and marketing of beverages	100.00	100.00
Brewery Pivdenna C.J.S.C. (Efes Ukraine) (v)	Ukraine	Production and marketing of beer	100.00	100.00
Efes Romania Industrie Si Comert S.A. (ERIC) (v)	Romania	Distribution of beer	99.996	99.996
Efes Productie S.R.L. (Efes Productie) (v)	Romania	Distribution of beer	69.70	69.70

- (i) Subsidiaries of Efes Moscow, which are consolidated under its financial statements.
- (ii) Together with 0.01% shares owned by Anadolu Efes, the Company's ultimate shareholder, the Company controls 50% of Interbrew Efes.
- (iii) Following revised IAS 32 (Financial Instruments: Disclosure and Presentation), a further 8.8% interest has also been consolidated since the minority shareholder holds a put option on Efes Moscow shares.
- (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.

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

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**For the period ended June 30, 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**

In preparation of the interim condensed consolidated financial statements of the Company, the same accounting policies and methods of computation have been followed in the unaudited interim condensed consolidated financial statements as compared to the most recent annual financial statements. The interim condensed consolidated financial statements have been prepared in compliance with IAS 34, "Interim Financial Reporting", adopted by EU.

#### **Intangible Assets**

##### Brand

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

#### **3. CHANGES IN GROUP'S ORGANIZATION**

##### **For 2006**

The Company has acquired 92.3% of KV Group located in Russia, in February 2006 with a total cash consideration of USD 366.7 million, including working capital adjustment. 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 13).

Relating to the put option granted to Amsterdam Brewery Investments B.V., the Company has 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 (Refer to Note 13).

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended June 30, 2006

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

#### 3. CHANGES IN GROUP'S ORGANIZATION (continued)

##### For 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 Meintl 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 Sinai 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 and accumulated profit in the consolidated balance sheet.

#### 4. SHARE CAPITAL

	June 30, 2006	December 31, 2005
	Number of shares	Number of shares
<b>Common shares, 1 EUR, par value</b>		
Authorized	250,000,000	250,000,000
Issued and outstanding	148,000,000	148,000,000

As at June 30, 2006, the composition of shareholders and their respective % of ownership can be summarized as follows:

	June 30, 2006	December 31, 2005
Anadolu Efes	70.22%	70.22%
Public	29.78%	29.78%
Total	100.00%	100.00%

##### Movements in share capital

The movement of the share capital of the Company during the six-month period ended June 30, 2006 was as follows:

	2006	
	Number of shares	USD
Opening, January 1	148,000,000	156,921
Shares issued	-	-
Closing, June 30	148,000,000	156,921

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended June 30, 2006

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

#### 5. 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.

Following revised IAS 32 (Financial Instruments: Disclosure and Presentation), the obligation for the participating interest related with above mentioned put option has been regarded as a liability 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. USD 76,601 has been presented in other non-current liabilities as 'liability for puttable instruments' in the consolidated balance sheet.

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 have been decreased by 8.8%. The excess of the liability for puttable instruments over the fair value of net assets of Efes Moscow amounting to USD 57,665 was for the first time recognised as goodwill in the consolidated balance sheet as of December 31, 2005.

##### 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.

#### 6. INVESTMENTS IN SECURITIES

	<b>June 30, 2006</b>	December 31, 2005
ZAO Mutena Maltery (Mutena Maltery)	<b>1,511</b>	1,511
Others	<b>165</b>	167
<b>Total available-for-sale investments – non-current</b>	<b>1,676</b>	1,678

##### Available-for-sale investments

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.

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended June 30, 2006

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

#### 7. PROPERTY, PLANT AND EQUIPMENT

For the six-month period ended June 30, 2006, additions and disposals of property, plant and equipment were as follows:

	Additions	Additions through subsidiary acq.	Disposals, net	Transfers
Land	-	5,319	-	825
Buildings	14	100,600	(2)	16,881
Infrastructure	-	2,974	(92)	739
Machinery and equipment	1,691	89,190	(1,439)	29,907
Motor vehicles	623	3,832	(148)	538
Other tangible assets	2,005	3,982	(73)	1,391
Construction in progress	76,678	1,088	81	(50,281)
	<b>81,011</b>	<b>206,985</b>	<b>(1,673)</b>	<b>-</b>

##### 1) Borrowing costs

Borrowing costs capitalized as property, plant and equipment amounted to USD nil for the six-month period ended June 30, 2006.

##### 2) Impairment losses

For the six-month period ended June 30, 2006, an impairment loss of USD nil was recognised.

##### 3) Pledge on tangible assets

Refer to Note 10 for pledge on tangible assets.

#### 8. INTANGIBLE ASSETS

For the six-month period ended June 30, 2006, additions to intangible assets were as follows:

	Additions
Goodwill	86,230
Brands	83,960
Other intangible assets	291
	<b>170,481</b>

Related with the acquisition of the KV Group, the fair value of brands amounting to USD 83,960 has been recognized as an intangible asset.

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended June 30, 2006

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

#### 9. RELATED PARTY BALANCES AND TRANSACTIONS

For the purposes of the unaudited 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.

##### 1) Balances with Related Parties

Balances with related parties are separately classified in the unaudited interim condensed consolidated balance sheet.

##### 2) Transactions with Related Parties

The most significant transactions with related parties for the six-month period ended June 30, 2006 were as follows:

<b>Nature of Transaction</b>	<b>Related Party</b>	<b>Amount</b>
Management and license fee expense to;	Efes Holland (2)	3,187
Sale of beer to;	Coca-Cola Bishkek (2)	276
Sale of beer to;	Coca-Cola Almaty (2)	6,081
Processing soda drinks from;	Coca-Cola Almaty (2)	690
Purchase of raw materials from;	Oyex Handels Gmbh (2)	2,941
Purchase of beer from;	Anadolu Efes (1)	63
Processing services from;	Mutena Maltery (3)	2,511
Heating and water services given to;	Mutena Maltery (3)	546
Dividend income from;	Mutena Maltery (3)	130

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

#### 10. BORROWINGS

For the six-month period ended June 30, 2006, issuance, repurchases and repayments of borrowings were as follows:

	Short-Term	Long-Term
Balance as of December 31, 2005	50,511	60,137
Proceeds through subsidiaries acquired	62,279	-
Proceeds	589,258	139
Interest expense	14,652	1,873
Interest paid	(11,049)	(1,889)
Repayments	(27,062)	(9,271)
Currency translation differences	6,279	(7)
Transfer from long-term to short-term	9,317	(9,317)
<b>Total</b>	<b>694,185</b>	<b>41,665</b>
Less: current portion		(17,990)
<b>Long-term debt net-of current portion</b>		<b>23,675</b>

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the period ended June 30, 2006 (Currency – Thousands of U.S. Dollars unless otherwise indicated)

#### 10. BORROWINGS (continued)

As of June 30, 2006, USD 641,067 (December 31, 2005 – USD 84,965) of the total borrowings were secured with the followings:

- Cash collaterals amounting to USD 51,144.
- 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 the 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 Moscow and Efes Karaganda to declare dividends is subject to prior consent of EBRD under the provisions of the loan agreements.
- A letter of guarantee amounting to USD 570,000 provided by Anadolu Efes.

#### 11. SEGMENT REPORTING

The Company is in a single product business which is considered to be the primary segment and the secondary segment is the geographical segment. Segment information is presented in respect of the Company's geographical segments based on location of customers. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Russia		Others		Consolidated	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
Total Assets	718,532	345,569	709,282	434,850	1,427,814	780,419

  

	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	Sales	227,349	169,424	64,780	52,259	292,129
Purchase of property, plant and equipment and intangible assets	59,217	34,070	21,794	20,517	81,011	54,587

#### 12. EARNINGS PER SHARE

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

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

	June 30, 2006	June 30, 2005
Net profit attributable to ordinary shareholders	12,479	(2,210)
Weighted average number of ordinary shares	148,000,000	148,000,000
EPS (in full U.S. Dollars)	0.08	(0.01)

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended June 30, 2006

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

#### 13. NOTES TO CASH FLOW

Cash flows from acquisition of subsidiaries:

	June 30, 2006
	Acquisitions
Cash and cash equivalents	50,133
Trade receivables	2,670
Due from related parties	1,293
Inventories-net	27,641
Other current assets	16,255
Property, plant and equipment-net	206,985
Intangible assets	83,960
Deferred tax assets	5,009
Other non-current asset	10
Trade and other payables	(4,714)
Due to related parties	(1,804)
Short-term loans	(62,279)
Other current liabilities	(20,633)
Income tax payable	(4)
Fair value of net assets	304,522
Net assets acquired	281,196
Goodwill (Refer to Note 8)	85,481
<b>Total purchase consideration</b>	<b>366,677</b>
Net cash acquired with subsidiary	(50,133)
<b>Net cash outflow for the acquisition of 92.3% of KV Group</b>	<b>316,544</b>
Acquired minority shares of KV Group	1,627
Acquired minority shares of Efes Moscow	108,908
<b>Net cash outflow for the period ended June 30, 2006</b>	<b>427,079</b>

#### 14. FINANCIAL INSTRUMENTS

##### Financial Risk Management

##### *Credit risk*

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



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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended June 30, 2006

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

#### 14. FINANCIAL INSTRUMENTS (continued)

##### *Interest rate risk*

The Group mainly enters into LIBOR based contracts in its financial borrowings. As of June 30, 2006, 4% 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 June 30, 2006 are as follows:

Fixed rate bank loans	8.7%
Floating rate bank loans	Applicable Base Rate + 0.8%

##### *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 June 30, 2006 is approximately USD 509 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 THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**For the period ended June 30, 2006**

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

#### **15. SUBSEQUENT EVENTS**

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.

Currently, the Company is in the process of arranging a long-term loan facility of USD 500 million, together with its 70% majority shareholder Anadolu Efes, which will be used for general corporate purposes including the refinancing of existing indebtedness. The facility will provide the long-term refinancing of the bridge facility of USD 500 million provided to the Company in February 2006. The Company plans to utilise USD 300 million of the long-term loan facility.

In July 2006, the Supervisory Board of the Company has authorized the Board of Management to initiate the procedures for a capital increase, in the form of a Rights Issue, amounting in a range between USD 250 million and USD 300 million.

In August 2006, the Company's Board of Management has resolved to initiate negotiations with EL&EL Ltd. in order to buy-out their shareholding stake of 7.89% in Efes Moscow.