

# Letter to *Shareholders*

*Dear Shareholders,*

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In 2005 EBI firmly established its foothold in its operating territories, as well as taking the steps for an even stronger market position in the coming years. A number of structural steps were also taken in response to EBI's commitment to provide more focused and effective management to continue the profitable growth of its business.

Our operations are restructured to include two major divisions, each of which is to be managed separately by different Chief Operating Officer. These divisions are defined as "Russia and the CIS Region" and "Southern Europe Region". We strongly believe that this new organization will provide the increased focus and span of control in order to accelerate the profitable growth of EBI in the coming years.

Our dynamic organization and attractive brand portfolio enabled us to deliver above-market organic growth in 2005. This demand growth in our operating territories necessitates a constant focus on brewing capacity expansion, which indeed was one of the important themes of 2005.

During the course of 2005, we increased the annual brewing capacities of our Ufa and Rostov plants to 2.0 million hectoliters and 1.2 million hectoliters, respectively. This represented an additional capacity of 1 mhl, bringing our total brewing capacity in Russia up to 7.7 mhl. In addition, we increased our brewing capacity in Moldova to 0.90 million hectoliters, thereby growing EBI's total brewing capacity to 11.8 million hectoliters.

In Russia, "Stary Melnik" maintained its best selling brand status by value in the highly competitive Moscow market, as well as its 4th place overall position in Russia. We saw another year of successful performance by our flagship brand "Efes Pilsener" while our "economy" segment brand "Beliy Medved", an important volume driver in 2005, became the eight top selling brand by volume in the Russian market within two years of its re-launch.

In Kazakhstan, we increased our sales volumes by 26% and held the second highest market share in this country with 17%. Our superior logistical advantage in Kazakhstan continues to contribute to our competitive position. Meanwhile in Moldova, where we increased our sales volume by 5% over 2004, we maintained our leadership in the beer market with 70% market share by volume, and also led the soft drinks market with 44% market share. Last but not least, in the Serbian beer market we hold the 4th position where in 2005 we were actively building on our market position for better competitive positioning in the forthcoming years.

In addition to significant organic growth in 2005, we also completed an important non-organic addition to our portfolio in early 2006.

In February 2006, we completed the milestone acquisition of 92.3% shares of the Krasny Vostok Brewing Group, the seventh largest brewer in the Russian beer market. Krasny Vostok operates two breweries, one in Kazan, in the Tatarstan region of Russia and the other one in the city of Novosibirsk located in Western Siberia. These breweries on a combined basis added 10 million hectoliters of annual brewing capacity to the EBI system in Russia. The Krasny Vostok Brewing Group also operates three malteries with combined annual production capacity of 93,000 tons. Therefore acquisition of Krasny Vostok not only gave us a substantial amount of additional annual brewing capacity but also made our Russian operations self-sufficient in procurement of malt and pre-form for the near term.

The acquisition of Krasny Vostok, in addition to our earlier mentioned capacity increases in Ufa and Rostov, enables Efes Russia to control 17.7 million hectoliters of annual brewing capacity and a combined 139,000 tons of annual malt production capacity. We believe this input will significantly ease our historical concerns to provide capacity over demand for the future demand growth in Russia. Furthermore, the potential for cross-brewing opportunities for our existing brands, sales and distribution synergies with the Krasny Vostok system and our newly captured ability to more effectively cater a wider geography within Russia, add to our level of excitement about the future.

EBI's 7.6% market share in Russia in 2005 approached 10% with the acquisition of Krasny Vostok, which solidified our 4th place position in a market, which is currently the 5th largest globally, and projected to be the 3rd largest by 2010. With our strong brand portfolio, which spans every major segment of the Russian market, EBI is well positioned to be a key beneficiary of the continuing growth of the Russian beer market in the years to come.

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With the acquisition of the Krasny Vostok Brewing Group we reiterated our long term commitment to the future potential of the Russian beer market. This is also evidenced by our increased shareholding in our Russian business through the acquisition of further 12.4% stake of a minority shareholder in February 2006. After giving effect to this transaction, EBI currently owns 83.4% of Moscow Efes Brewery, our subsidiary in Russia that delivers an important part of EBI's current and future value.

Dear Shareholders,

In 2005, EBI achieved sales volume growth and Revenue growth of 17% and 21%, respectively, both of which stood out in the highly competitive environment in which we operate. Of our total sales volume of 8.9 million hectoliters in 2005, 5.9 million hectoliters, or 66%, were realized in the very important Russian market. Similarly, USD 364 million, or 76%, of EBI's 2005 Revenues of USD 481 million were generated in Russia.

Although we maintained the growth momentum of our top line, our Operating Profit of USD 50 million and EBITDA of USD 95 million in 2005 displayed single digit declines vis-a-vis 2004 levels. These were primarily consequences of a combination of external events, including the impact of the substantial rise of the oil prices on our overall cost base, and also our efforts to commit to stronger future growth of EBI through the realignment of our systems and market positioning.

Our commitment to capture better future market positioning led us to incur a rate of growth in sales and marketing expenses that exceeded the rate of growth in sales in year 2005. This strategy was evident in Serbia, which is our relatively newest market where we are still building our business after the acquisition of EBI's second brewery in late 2004. Also in Russia, we restructured our sales and distribution system that resulted in a significantly enhanced direct sales component as well as better market execution capabilities which we expect to benefit largely in the years to come.

We view both of these strategic moves as value-enhancing on a going forward basis.

Dear Shareholders,

Following our initial public offering in London in 2004, we were able to build substantial value into the business in a relatively short period of time, as evidenced by the market capitalization of EBI above the 1 billion USD mark.

The year 2006 already started with a major development for EBI with the exciting acquisition of the Krasny Vostok Brewing Group. We have no doubt that EBI's profitable growth will continue to reward its stakeholders. Our organic, as well as inorganic growth initiatives create new opportunities, which have brought forth a picture that has made all of us proud since EBI's establishment. EBI is moving towards its new vision of becoming one of the worldwide leading beer systems with core strengths generated in Eurasia.

We do hope that you share our excitement and wish to extend the sincere gratitude of the Supervisory Board and the Board of Management to our esteemed shareholders for their continuing support of EBI's corporate vision.

Sincerely,

**Tuncay Özilhan**  
Chairman of the Supervisory Board

**Ahmet Boyacıoğlu**  
Chairman of the Board of Management & CEO