

Report of The Supervisory Board

Functioning and strategy of the Supervisory Board

The Supervisory Board supervises the policies of the Board of Management as well as the general course of EBI's affairs and business. The Supervisory Board advises the Board of Management. In performing their duties members of the Supervisory Board must serve the interests of EBI and its business enterprise as well as the interests of all of EBI's stakeholders. The Supervisory Board has adopted Supervisory Board Rules that regulate in detail its tasks and responsibilities. Pursuant to the Supervisory Board Rules, members of the Supervisory Board are, in principle, appointed for a maximum term of four years. Upon expiry of the term of appointment, a Supervisory Board member can be re-appointed provided that the maximum term of being a member does not exceed three terms or twelve years, as the case may be. The General Meeting is entitled to appoint members of the Supervisory Board. The Supervisory Board is entitled to make a non-binding nomination for each vacancy. Within the Supervisory Board, the Selection and Appointment Committee makes the proposal for a nomination.



The Supervisory Board currently consists of the following six members:

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Mr. Tuncay Özilhan,
Chairman

Sir David Logan

Mr. İbrahim Yazıcı

Mr. Metin Tokpınar

Mr. Mustafa Uysal

Mr. Micheal O'Neill

Mr. Ronald Drake
(resigned as of
22 November 2004)

New Appointments

EBI will fill the vacancy in its Supervisory Board, due to resignation of Mr. Ronald Drake, by appointing Mr. Christos-Alex Komninos in the General Meeting to be held in May 2005, where, in addition, Mr. Metin Tokpınar will be replaced by Mr. Ali Tigrel. All appointments to the Supervisory Board will be effective after the General Meeting to be held in May 2005.

In order to see CVs of the Supervisory Board Members please refer to "Company Profile" section_"Composition of Supervisory Board" (pg: 16-17)



Independence of Supervisory Board members

The Code prescribes that the Supervisory Board consists of independent persons, except for one. Messrs. Özilhan, Yazıcı, Tokpınar, Uysal and O'Neill cannot be considered as independent due to their former memberships of the Board of Management of EBI. On this point EBI does not fully comply with the Code. EBI has decided to gradually replace its current members of the Supervisory Board except for the chairman, Mr. Özilhan. The new members Mr. Komninos and Mr. Tigrel will be independent members in addition to Sir David Logan. It is intended that in 2006 EBI will fully comply with the independence rules. For this purpose a rota plan had been drafted, which is published at EBI's website. EBI is gradually replacing its non-independent Supervisory Board members in order to maintain an adequate number of persons on the Supervisory Board with knowledge of EBI's business. EBI is of the opinion that proper

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

Meetings

The Supervisory Board met four times in the year 2004 with the members of the Board of Management being present. All meetings were attended by at least five of the six members of the Supervisory Board. The Supervisory Board also met on its own. Financial developments and results, operational development of EBI's subsidiaries, marketing strategies and acquisitions and other investment opportunities were discussed in the meetings. One meeting was held in Istanbul, in the offices of Efes Beverage Group and the other meetings were held in the offices of EBI in the Netherlands.

Evaluation of the functioning of Supervisory Board

Topics of the meetings of the Supervisory Board included, but not limited to:

- EBI's general strategy;
- EBI's financial performance;
- The performance and internal division of

tasks of the Board of Management;

- Discussion of business development projects as well as new investments and acquisitions; and
- The Supervisory Board's own performance.

In respect to these topics, for the year 2004 special attention was paid to the initial public offering of EBI, adoption of documents related to corporate governance, the sale of the brewery in Ukraine and the acquisition of a second brewery in Serbia.

Supervisory Board

Committees

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



Audit Committee

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Pursuant to the rules governing the Audit Committee, the Audit Committee is comprised of two Supervisory Board members and meets at least twice a year. Effective as of 23 August 2004, the Audit Committee is chaired by Mr. Metin Tokpınar. The other member is Mr. Mustafa Uysal. Pursuant to the rules governing the Audit Committee, it supervises, monitors and advises the Board of Management on risk management and control systems and supervises the implementation of codes of conduct. In addition, the Audit Committee supervises submission of financial information by EBI and a number of other issues. The Audit Committee will at least once a year hold a meeting with the external auditor of EBI without any of EBI's members of the Board of Management or internal auditors being present. The Audit Committee advises the Board of Management on the role and functioning of the internal audit department. In 2004, the Audit Committee held one meeting following its establishment in August 2004 and before the announcement of the third quarter financials, the Committee had a discussion with the external auditor of EBI. It was agreed then that the external auditor will directly contact the Audit Committee if it becomes aware of any issues of significant importance during the audit process. Also, subsequently, the Committee held another meeting with the external auditor in March 2005, and discussed the main issues of the draft annual report of 2004.

Selection and Appointment Committee

Pursuant to the rules governing the Selection and Appointment Committee, the Selection and Appointment Committee is comprised of a minimum of two members and meets at least twice a year. Effective as of 23 August 2004, the Selection and Appointment Committee is chaired by Mr. Tuncay Özilhan. The other member is Mr. İbrahim Yazıcı. Pursuant to the rules governing the Selection and Appointment Committee, it prepares selection and appointment criteria and appointment procedures for members of the Board of Management and the Supervisory Board. The Selection and Appointment Committee met once in 2004.

Remuneration Committee

The Remuneration Committee is comprised of three Supervisory Board members and meets at least twice a year. Effective as of 23 August 2004, the Remuneration Committee is chaired by Sir David Logan. The other members are Mr. Tuncay Ozilhan and Mr. Michael O'Neill. Pursuant to the rules governing the Remuneration Committee, this Committee prepares proposals to be presented to the Supervisory Board concerning the general remuneration policy for the Board of Management, for approval at a General Meeting of EBI. However, since the Remuneration Committee started to function only in August 2004, a remuneration policy for the Board of Management was not drafted in 2004, nor therefore adopted at a General Meeting. The Remuneration Committee has now drafted a remuneration policy to be approved at a General Meeting to be held in May 2005. The Remuneration Committee also monitors the individual remuneration of each of the members of the Board of Management and checks whether they are in line with the general remuneration policy to be adopted by the Supervisory Board. In addition, the Remuneration Committee prepares the annual Supervisory Board remuneration report on the application of the remuneration policies. In 2004, the Remuneration Committee met twice.

Remuneration policy of EBI

It is expected that the remuneration policy of EBI will be approved at the General Meeting of EBI to be held in May 2005. For the members of the Board of Management, the remuneration package consists of one or more of the following elements:

- base salary;
- year end bonuses;
- other benefits.

The annual increase of the base salaries amounts to 2%. The outline of the remuneration structure in 2004 will be maintained in the general remuneration policy to be adopted by the General Meeting in 2005. As a corporate policy, EBI does not provide loans to members of the Board of Management. EBI is of the opinion that the remuneration packages of its current members of the Board of Management are in line with the principles of the Corporate Governance Code. Proposals for the remuneration of any new members of the Board of Management after adoption of the general remuneration policy will be made by the Remuneration Committee, and will be made in line with this policy. Two of the four members of the Board of Management namely Messrs. Kent and Zorlu, received their total remuneration partially from EBI, and partially from EBI's major shareholder Anadolu Efes Biracilik ve Malt San A.Ş.

It is the policy of EBI to remunerate the members of the Board of Management with due regard to the interests of the shareholders and the performance of the Company. The policy aims to ensure the competitiveness of the remuneration provided as well as long term value creation for EBI.

In 2004, the members of the Supervisory Board and the Board of Management received total gross remuneration of Euro 58,555 and Euro 272,765 respectively.

The Articles of Association

EBI was listed on the London Stock Exchange in October 2004 through an initial public offering (IPO). Accordingly all relevant changes due to IPO were reflected in the Articles of Association that is available on EBI's web site at www.efesholland.nl.

On behalf of the Supervisory Board: Tuncay Özilhan
Chairman of the Supervisory Board