Efes Breweries International N.V.
and its Subsidiaries

Consolidated Financial Statements
Together With Auditors' Report
December 31, 2008

TABLE OF CONTENTS

To: the Board of Directors and the Shareholders of EFES Breweries International N.V.

Auditor's report

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements 2008 of EFES Breweries International N.V., Amsterdam. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement 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 and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the board of management report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the board of management report is consistent with the consolidated financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, April 2, 2009

Ernst & Young Accountants LLP

Signed by C.N.J. Verhart

Efes Breweries International N.V. and its Subsidiaries

CONSOLIDATED BALANCE SHEET
As at December 31, 2008
(Currency – Thousands of U.S. Dollars unless otherwise indicated)

ASSETS

	Notes	2008	2007
Current assets			
Cash and cash equivalents	4	**220,827**	58,526
Trade and other receivables	5	**88,078**	88,140
Due from related parties	29	**4,195**	8,161
Inventories	6	**166,385**	171,903
Prepayments and other current assets	7	**43,419**	59,840
Total current assets		**522,904**	386,570
Non-current assets			
Available-for-sale investments	10	**1,525**	1,521
Investments in associates	11	**35,004**	-
Property, plant and equipment	8	**710,311**	742,628
Intangible assets	9	**474,397**	536,949
Deferred tax asset	24	**24,758**	13,806
Prepayments and other non-current assets		**423**	2,942
Total non-current assets		**1,246,418**	1,297,846
Total assets		**1,769,322**	1,684,416

LIABILITIES AND EQUITY

	Notes	2008	2007
Current liabilities			
Trade and other payables	12	**189,193**	225,773
Due to related parties	29	**21,459**	23,339
Income tax payable		**502**	5,008
Short-term borrowings	13	**123,613**	188,609
Current portion of long-term borrowings	13	**307,409**	14,822
Total current liabilities		**642,176**	457,551
Non-current liabilities			
Long-term borrowings-net of current portion	13	**386,301**	342,598
Deferred tax liability	24	**2,775**	10,912
Other non-current liabilities		**30**	346
Total non-current liabilities		**389,106**	353,856
Equity			
Issued capital		**237,488**	237,488
Share premium		**319,318**	319,318
Currency translation reserve		**48,503**	138,794
Retained earnings		**110,451**	167,837
Equity attributable to equity holders of the parent		**715,760**	863,437
Minority interests		**22,280**	9,572
Total equity		**738,040**	873,009
Total liabilities and equity		**1,769,322**	1,684,416

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

Efes Breweries International N.V. and its Subsidiaries

CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2008
(Currency – In thousands of U.S. Dollars unless otherwise indicated)

	Notes	2008	2007
Revenue		**1,038,046**	836,235
Cost of sales	16	**(613,752)**	(462,100)
Gross profit		**424,294**	374,135
Selling and marketing expenses	17	**(258,363)**	(210,909)
General and administrative expenses	18	**(114,888)**	(94,819)
Other operating income	19	**29,820**	15,821
Other operating expense	19	**(7,218)**	(3,677)
Profit from operations		**73,645**	80,551
Financial income	22	**28,812**	19,077
Financial expense	22	**(174,632)**	(48,001)
Share of loss from associates	11	**(5,010)**	-
(Loss)/Profit before tax		**(77,185)**	51,627
Income tax	23	**18,347**	(14,280)
(Loss)/Profit after tax		**(58,838)**	37,347
Attributable to:			
Equity holders of the parent company		**(57,386)**	37,470
Minority interests		**(1,452)**	(123)
		(58,838)	37,347
(Loss)/Earnings per share (in full U.S. Dollars)			
Basic		**(0.27)**	0.18
Diluted		**(0.27)**	0.18

The accompanying notes 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, 2008
(Currency – In thousands of U.S. Dollars unless otherwise indicated)

	Attributable to the Equity Holders of the Parent						
	Issued Capital	Share Premium	Currency Translation Reserve	Retained Earnings	Total	Minority Interest	Total Equity
At January 1, 2007	**237,488**	**319,318**	**75,520**	**130,367**	**762,693**	**9,331**	**772,024**
Foreign currency translation	-	-	63,274	-	63,274	1,011	64,285
Total income and expense in equity	-	-	63,274	-	63,274	1,011	64,285
Net profit for the year	-	-	-	37,470	37,470	(123)	37,347
Total income and expense for the year	-	-	63,274	37,470	100,744	888	101,632
Equity dividends	-	-	-	-	-	(404)	(404)
Acquisition of minority interests	-	-	-	-	-	(534)	(534)
Dividends paid to put option holder	-	-	-	-	-	291	291
At December 31, 2007	**237,488**	**319,318**	**138,794**	**167,837**	**863,437**	**9,572**	**873,009**
Foreign currency translation	-	-	(84,245)	-	(84,245)	390	(83,855)
Total income and expense in equity	-	-	(84,245)	-	(84,245)	390	(83,855)
Disposal of subsidiary	-	-	(4,434)	-	(4,434)	-	(4,434)
Partial disposal of subsidiary	-	-	(1,612)	-	(1,612)	-	(1,612)
Net loss for the year	-	-	-	(57,386)	(57,386)	(1,452)	(58,838)
Total income and expense for the year	-	-	(90,291)	(57,386)	(147,677)	(1,062)	(148,739)
Equity dividends	-	-	-	-	-	(37)	(37)
Disposal of subsidiary	-	-	-	-	-	(6,531)	(6,531)
Partial disposal of subsidiary	-	-	-	-	-	20,338	20,338
At December 31, 2008	**237,488**	**319,318**	**48,503**	**110,451**	**715,760**	**22,280**	**738,040**

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

Efes Breweries International N.V. and its Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT
For the year ended December 31, 2008
(Currency – Thousands of U.S. Dollars unless otherwise indicated)

	Notes	2008	2007
Operating activities			
(Loss)/Profit before tax		**(77,185)**	51,627
Adjustments to reconcile loss before tax to net cash flows			
Gain on holding activities	19	**(25,713)**	-
Gain on sale of soft-drink trademarks	19	**-**	(3,712)
Depreciation and amortisation	21	**95,467**	74,273
Loss from disposal of property, plant and equipment	19	**2,106**	1,138
Provision for bad debt	18	**1,927**	972
Provision for inventories	19	**4,771**	2,256
Provision for litigation	19	**341**	51
Provision for vacation pay liability		**1,224**	1,022
Impairment in property, plant and equipment	19	**-**	232
Reversal of provision for inventories	19	**-**	(970)
Reversal of impairment on property plant equipment	8	**-**	(2,430)
Reversal of provision for bad debt	19	**(287)**	(1,083)
Share of loss of associates	11	**5,010**	-
Amortised borrowing costs	13	**1,259**	1,241
Unrealized foreign exchange gain/(loss) on loans, net		**59,559**	(4,756)
Interest income	22	**(4,975)**	(4,744)
Interest expense	22	**45,385**	36,491
Net income adjusted for non-cash items		**108,889**	151,608
Increase in inventories		**(3,643)**	(93,115)
Increase in trade receivables		**(11,485)**	(38,399)
Decrease/(increase)/ in due from related parties		**5,069**	(4,686)
(Decrease)/increase in trade and other payables		**(3,942)**	9,419
(Decrease)/increase in due to related parties		**(1,346)**	1,191
Decrease in other current assets		**19,647**	1,919
Decrease/(increase) in other non-current assets		**2,485**	(696)
Increase/(decrease) in other non-current liabilities		**2,182**	(171)
Interest received		**5,834**	2,405
Interest paid		**(44,867)**	(42,308)
Taxes paid		**(11,019)**	(18,680)
Net cash flow from/(used in) operating activities		**67,804**	(31,513)
Investing activities			
Purchase of property, plant and equipment	8	**(169,750)**	(125,703)
Purchase of intangible assets	9	**(1,659)**	(1,952)
Proceeds from sale of property, plant and equipment		**9,270**	5,565
Proceeds from sale of soft-drink trademarks		**-**	3,712
Proceeds from sale of subsidiaries, net of cash disposed	25	**56,747**	-
Acquisition of subsidiaries, net of cash acquired	25	**(87,874)**	-
Acquisition of minority shares		**-**	(36,660)
Capital contribution in associates		**(2,682)**	-
Net cash flows used in investing activities		**(195,948)**	(155,038)
Financing activities			
Proceeds from short term and long-term debt		**547,192**	81,613
Repayment of short term and long-term debt		**(274,593)**	(17,601)
Dividends paid to minority shareholders		**(37)**	(404)
Net cash flows used in financing activities		**272,562**	63,608
Net foreign exchange difference		**17,883**	17,608
Net increase/(decrease) in cash and cash equivalents		**144,418**	(122,943)
Cash and cash equivalents at beginning of year		**58,526**	163,861
Cash and cash equivalents at end of year		**220,827**	58,526

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

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

1. GENERAL

Efes Breweries International N.V. (the Company) was incorporated in the Netherlands on October 2, 1996. The registered address of the Company is Strawinskylaan 1227, 1077XX Amsterdam, the Netherlands. The Company's ordinary shares have been listed on the London Stock Exchange in the form of global depositary receipts (GDR's).

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 2008 were authorised for issue by the directors on, April 2, 2009.

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, 2008 and December 31, 2007 were as follows:

	Place of Incorporation	Principal Activities	Effective Shareholding and voting rights %	
			2008	2007
CJSC Moscow-Efes Brewery (Efes Moscow) (i)	Russia	Production and marketing of beer	**90.85**	90.85
JSC AMSTAR" (Amstar) (ii)	Russia	Production of beer	**90.85**	90.85
ZAO Efes Entertainment (Efes Entertainment) (ii)	Russia	Entertainment	**90.85**	90.85
CJSC.Rostov Beverage (Rostov Beverages) (ii)	Russia	Lease	**90.85**	90.85
LLC Stary Melnik (ii)	Russia	Advertising	**90.85**	90.85
JSC Brewing Union «Krasny Vostok-Solodovbeer (KV Group) (i)	Russia	Production of beer	**84.36**	92.85
LLC "KV - SibPivCompaniya"(iii)	Russia	Production and marketing of beer	**88.61**	97.53
LLC "Vostok solod"(iii)	Russia	Production of malt	**84.36**	92.85
LLC "Krasny Vostok – Invest"(iii)	Russia	Finance	**84.36**	92.85
LLC "T'sentralny Torgovy Dom "Krasny Vostok"(iii)	Russia	Trading house	**84.36**	92.85
CJSC "MTD "Krasny Vostok" (iii)	Russia	Trading house	**84.36**	92.85
CJSC "Samarskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	**84.36**	92.85
CJSC "Saratovskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	**84.36**	92.85
LLC "Ufimskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	**84.36**	92.85
LLC "Barnaulskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	-	92.85
LLC "Volgogradskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	**84.36**	92.85
LLC "Voronezhskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	-	92.85
LLC "Ekaterinburgskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	**84.36**	92.85
LLC "Kemerovskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	-	92.85
LLC "Krasnodarskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	**84.36**	92.85
LLC "Krasnoyarskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	**84.36**	92.85
LLC "Kurskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	**84.36**	92.85
LLC "Nizhegorodskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	**84.36**	92.85
LLC "Nizhnekamskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	**84.36**	92.85
LLC "Novosibirskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	-	92.85
LLC "Omskii Dom "Krasny Vostok" (iii)	Russia	Trading house	-	92.85
LLC "Permskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	**84.36**	92.85
LLC "Sankt-Peterburgskii torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	**84.36**	92.85
LLC "Tomskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	-	92.85
LLC "Chelyabinskii Torgovyii Dom "Krasny Vostok" (iii)	Russia	Trading house	**84.36**	92.85

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

1. GENERAL (continued)

	Place of Incorporation	Principal Activities	Effective Shareholding and voting rights %	
			2008	2007
JSC Efes Karaganda Brewery (Efes Karaganda)	Kazakhstan	Production and marketing of beer	**72.00**	100.00
LLP Dinal (Dinal) (v)	Kazakhstan	Production and marketing of beer	**72.00**	-
Efes Vitanta Moldova Brewery S.A. (Efes Moldova)	Moldova	Production and marketing of beer and low alcoholic drinks	**96.50**	96.50
Efes Weifert Brewery d.o.o (Efes Weifert) (vi)	Serbia	Production and marketing of beer	-	97.21
Efes Zajecar Brewery d.o.o (Efes Zajecar) (vi)	Serbia	Production and marketing of beer	-	72.96
Efes Commerce d.o.o Belgrade (Efes Commerce) (iv)	Serbia	Marketing of beer	**100.00**	100.00
Euro-Asian Brauerein Holding GmbH (Euro Asian)	Germany	Investment company	**100.00**	100.00
Brewery Pivdenna C.J.S.C (Efes Ukraine) (vi)	Ukraine	Production and marketing of beer	-	100.00
Efes Romania Industrie Si Comert S.A. (ERIC) (iv)	Romania	Distribution of beer	**100.00**	100.00
Efes Productie S.R.L. (Efes Productie) (iv)	Romania	Distribution of beer	-	69.70
JSC Lomisi (Efes Georgia) (vi)	Georgia	Production and marketing of beer and soft drink	**100.00**	-
Foreign Limited Liability Company (Efes Belarus)	Belarus	Marketing of beer	**100.00**	-

(i) Following revised IAS 32 (Financial Instruments: Disclosure and Presentation), a further 9.15% and 15.19% interest has also been consolidated for Efes Moscow and KV Group, respectively.
(ii) Subsidiaries of Efes Moscow, which are consolidated under its financial statements.
(iii) Subsidiaries of KV Group, which are consolidated under its financial statements.
(iv) Subsidiaries that are either dormant or in the process of being liquidated.
(v) Dinal is consolidated under Efes Karaganda.
(vi) Please refer to Note 3.

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.

Statement of Compliance

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in Accounting Policies

As of December 31, 2008 , The Group has reviewed the new and revised IAS/IFRS, the interpretations of IASB and International Financial Reporting Interpretations Committee (IFRIC) that are effective from January 1, 2008.

(a) Application of new and revised International Financial Reporting Standards effective as of December 31,2008:

The application of revised accounting standards and interpretations do not have any effect on the Group's consolidated financial statements and its disclosures as of December 31, 2008.

(b) New and revised standards and interpretations that are not effective as of December 31, 2008 and have not been early adopted by the Group:

IFRS 3, "Business Combinations (Revised)" (Effective for annual periods beginning on or after July 1, 2009).

IFRS 8, "Operating Segments" (Effective for annual periods beginning on or after January 1, 2009).

IAS 1, "Presentation of Financial Statements (Revised)" (Effective for annual periods beginning or after January 1, 2009).

IAS 23, "Borrowing Costs (Revised)" (Effective for annual periods beginning or after January 1, 2009).

IAS 27, "Consolidated and Separate Financial Statements (Revised)" (Effective for annual periods beginning or after July 1, 2009).

IFRIC 13, "Customer Loyalty Programmes" (Effective for fiscal periods beginning on or after July 1, 2008).

IFRS 2, "Share Based Payments (Revised)" (Effective for fiscal periods beginning on or after January 1, 2009).

Amendments to IAS 32 and IAS 1: "Puttable Financial Instruments and Obligations Arising on Liquidation" (Effective for fiscal periods beginning of after January 1, 2009).

IFRIC 15, "Construction Contracts in Real Estate Firms" (Effective for fiscal periods beginning on or after January 1, 2009).

IFRIC 16, "Protection of Investment in Foreign Subsidiaries" (Effective for fiscal periods beginning on or after October 1, 2008).

The application of revised accounting standards and interpretations that are not effective as of December 31, 2008, is not going to have any significant effect on the Group's consolidated financial statements and its disclosures as of December 31, 2009 in terms of restatement of prior year figures.

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 as adopted by EU 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. Efes Productie has been liquidated in 2008.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Information

Starting from January 1, 2008, the Group accounts returnable packaging materials in other tangible assets and depreciate them over their useful lives. Previously, the returnable packaging materials and its depreciation charge were presented in inventory. In the consolidated financial statements, previous year figures have been rearranged accordingly. To be consistent with current year presentation, inventory, property plant and equipment rearranged by USD 16,138, other expense and marketing selling expense rearranged by USD 1,695.

Foreign Currency Translation

The Company is domiciled in the Netherlands. The Company 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.

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

The consolidated financial statements of the Group include Efes Breweries International N.V. and the subsidiaries as at 31 December 2008.

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 financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting principles.

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.

Minority interests represent the portion of profit and loss and net assets that is not held by the Group and are presented separately in the consolidated income statement and the within the equity in the consolidated balance sheet, separately from the parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the net book value of the share of the net assets acquired is recognised in goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

Investments in associates are undertakings over which the Group generally has between 20% and 50% of the voting rights and the Group has significant influence and which are not subsidiaries or joint ventures of the Group. The Group's investments in associates are accounted for using the equity method. The financial statements of the associate are prepared for the same reporting period as the parent company.

The investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associates.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Financial Assets

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are recognised at original invoice amount less an allowance for any uncollectible amounts. Receivables are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the receivables are derecognised or impaired, as well as through the amortisation process.

Provision is made individually for each receivable when there is objective evidence that the Group will no longer be able to collect the debts. Bad debts are written off when identified.

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.

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.

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
Returnable packaging	5-10 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. At each reporting date, an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated and the impairment loss is reversed.

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.

Business Combinations

Business combinations are accounted for using the purchase method .The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attribute to acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extend of any minority interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets

Goodwill

Goodwill is initially measured at the cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of cash-generating unit and part of operation within that unit is disposed of the goodwill associated with the operation disposed of is included in the carrying mount of the operation when determining the gain or loss on disposal of the operation.

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 are 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Liabilities

Borrowings

All borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. Borrowing costs are expensed as incurred.

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.

Leases

(a) Finance Lease – Group as lessee

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.

(b) Operating Lease – Group as lessee

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 recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are stated net of discounts, value added and sales taxes.

The following specific recognition criteria must also be met before revenue is recognized:

(a) Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of goods.

(b) Interest income

Interest income is recognized as interest accrues. Interest income is included in financial income in the consolidated income statement.

(c) Dividends

Revenue is recognized when the right to collect the dividend is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income 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 the initial recognition of goodwill or 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, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised 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 income tax assets are recognised only 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 differences can be utilised.

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 utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Post-year-end events that provide additional information about the Group'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.

Use of Estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates, assumptions and judgements 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

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 revenue.

Following the changes in the Group's structure, the Management revised the geographical segment allocation. To be comparable; prior period statements were also rearranged (Refer to Note 28).

Other Income and Expense

Other operating income and other operating expense are shown separately both in the face of the consolidated income statement and in related disclosure.

Significant Accounting Judgement, Estimates and Assumptions

<u>Deferred Tax Assets</u>

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

<u>Impairment of Assets</u>

The Group's impairment test for goodwill and intangible assets with indefinite useful lives is based on the value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next ten years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. The key assumptions used to determine the recoverable amount for the different cash generating units are further explained in Note 9.

<u>Fair Value of Financial Instruments</u>

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from the active markets, they are determined using valuation techniques.

<u>Useful life of Property Plant and Equipment</u>

The useful lives of property plant and equipment determined based on the available technical data and information from previous periods taking into account residual values.

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

3. CHANGES IN GROUP'S ORGANIZATION

For the year 2008

In February 2008, the Group acquired 100.00% shares of JSC Lomisi, the leading brewery in Georgia, for a total cash consideration of USD 73,570. The excess of the acquisition costs over the fair value of net assets acquired was USD 30,870 and recognized as goodwill in the consolidated balance sheet.

In October 2008, the Group acquired 100.00% shares of Dinal, a brewery in Kazakhstan, for a total cash consideration of USD 16,482. The excess of the acquisition costs over the fair value of net assets acquired was USD 2,060 and has been recognized as goodwill in the consolidated balance sheet.

Following the acquisition of Dinal, within the scope of collaboration with Heineken International B.V. ("Heineken"), the Group sold 28% of its shares of Efes Karaganda to Heineken for a cash consideration of USD 55,754. The gain amounting USD 37,028 arising from this transaction, is recognized in the consolidated income statement.

In August 2008, the Group sold all of its shares in Efes Ukraine for a cash consideration of USD 2,145, which resulted in a gain amounting to USD 3,187 recognized in the consolidated income statement.

Within the scope of collaboration with Heineken in Serbia, the Group and Heineken established the holding entity based company Central Europe Beverages B.V. ("CEB"), which is 28% owned by the Company and 72% by Heineken. The Group has contributed to CEB by transferring all of its shares on Efes Weifert and Efes Zajecar, resulting in a loss of USD 14,502 recognized in the consolidated income statement.

A Share Purchase Agreement is executed between the Company and Efes Moscow regarding the sale of all shares owned by the Company, representing 92.85% of the voting shares of KV Group, to Efes Moscow in February 2008. Following this transaction, effective shareholding percentage of the Company in KV Group reduced to 84.36% excluding the effect of put options granted. The transaction has been treated in accordance with the principles of under common control, thus there is no amount recognized in equity or consolidated income statement.

For the year 2007

The Company acquired 6.25% of Efes Weifert in October 2007 through takeover bid process for a total cash consideration of USD 3,144. The excess of fair value of net assets acquired over the purchase price was USD 2,610 and has been recognized as goodwill (Refer to Note 9).

4. CASH AND CASH EQUIVALENTS

	2008	2007
Cash on hand	**212**	170
Banks accounts (including short-term time deposits)	**220,581**	58,273
Other	**34**	83
	220,827	58,526

Loans utilized by Efes Moscow of USD 74,599 (2007-USD 16,590) and Krasny Vostok of USD 10,046 (2007 - None) as of December 31, 2008 are secured with cash amount of USD 86,600 at banks (Refer to Note 13) (2007-USD 30,304). As of December 31, 2008, no loans are secured with cash by Efes Karaganda (2007-USD 13,056).

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% and 10% (2007-3%-9%).

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

5. TRADE AND OTHER RECEIVABLES

	2008	2007
Accounts receivable	**92,824**	96,644
Others	**3,168**	2,798
Less: provision for doubtful accounts	**(7,914)**	(11,302)
	88,078	88,140

The following table shows the development of allowances on trade receivables:

	2008	2007
As of January 1	**11,302**	10,974
Addition	**1,927**	972
Reversal of unused provision	**(287)**	(1,083)
Addition through subsidiary acquired	**157**	-
Disposal through subsidiary sold	**(4,288)**	-
Currency translation differences	**(897)**	439
	7,914	11,302

The following table shows the analysis of the age of past due trade receivables:

		Of which: neither impairment nor past due on the reporting date	Of which: not impaired on the reporting date and past due in the following periods		
			less than 30 days	between 31 and 60 days	between 61 and 90 days
Trade receivables	**2008**	**44,837**	**27,392**	**4,984**	**7,697**
	2007	45,954	22,200	11,244	5,944

6. INVENTORIES

	2008	2007
Raw materials	**105,370**	108,618
Finished goods	**23,424**	22,358
Supplies and spare parts	**20,492**	19,019
Work-in-process	**11,684**	11,888
Others	**9,841**	18,294
Less: reserve for obsolescence	**(4,426)**	(8,274)
	166,385	171,903

7. PREPAYMENTS AND OTHER CURRENT ASSETS

	2008	2007
VAT deductible	**15,183**	29,262
Advances given to suppliers	**11,977**	18,305
Prepaid expenses	**5,006**	3,997
Other receivables	**12,385**	9,895
Less: provision for other receivables	**(1,132)**	(1,619)
	43,419	59,840

(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	Total
Cost								
January 1, 2008	11,445	296,551	23,332	570,413	32,830	55,939	58,724	1,049,234
Additions	39	1,021	-	4,962	4,111	21,575	138,042	169,750
Disposals	(2)	(217)	(324)	(14,392)	(1,308)	(3,761)	(1,219)	(21,223)
Acquisitions through subsidiary acquired	3,535	3,352	-	14,304	867	6,357	129	28,544
Disposals through subsidiary sold	-	(23,500)	(1,907)	(45,434)	(9,445)	(156)	(349)	(80,791)
Currency translation difference	(1,826)	(39,137)	(3,067)	(78,911)	(2,422)	(939)	(5,303)	(131,605)
Transfers	-	17,271	1,669	113,003	2,179	102	(134,224)	-
December 31, 2008	**13,191**	**255,341**	**19,703**	**563,945**	**26,812**	**79,117**	**55,800**	**1,013,909**
Depreciation and Impairment								
January 1, 2008	-	50,119	4,752	218,813	13,300	19,622	-	306,606
Depreciation for the year	-	11,285	1,137	64,211	4,874	12,880	-	94,387
Disposals	-	(379)	(209)	(4,795)	(1,220)	(3,244)	-	(9,847)
Disposals through subsidiary sold	-	(13,662)	(1,283)	(25,480)	(5,272)	(572)	-	(46,269)
Currency translation difference	-	(5,750)	(342)	(34,116)	(1,033)	(38)	-	(41,279)
December 31, 2008	**-**	**41,613**	**4,055**	**218,633**	**10,649**	**28,648**	**-**	**303,598**
Net book value	**13,191**	**213,728**	**15,648**	**345,312**	**16,163**	**50,469**	**55,800**	**710,311**

	Land	Buildings	Infrastructure	Machinery and Equipment	Furniture and Vehicles	Other Tangible Assets	Construction in Progress	Total
Cost								
January 1, 2007	10,670	251,686	16,558	496,280	22,492	45,180	24,995	867,861
Additions	-	1,219	-	1,490	4,306	9,505	109,183	125,703
Disposals	-	(575)	(94)	(9,196)	(1,959)	(958)	(13)	(12,795)
Currency translation difference	775	19,226	1,417	39,699	2,750	1,889	2,709	68,465
Transfers	-	24,995	5,451	42,140	5,241	323	(78,150)	-
December 31, 2007	11,445	296,551	23,332	570,413	32,830	55,939	58,724	1,049,234
Depreciation and Impairment								
January 1, 2007	-	38,129	3,788	158,644	8,053	12,903	-	221,517
Depreciation for the year	-	8,550	719	53,084	4,234	7,022	-	73,609
Impairment losses	-	232	-	(2,430)	-	-	-	(2,198)
Disposals	-	(177)	(47)	(4,089)	(850)	(932)	-	(6,095)
Currency translation difference	-	3,477	292	14,214	1,091	699	-	19,773
Transfers	-	(92)	-	(610)	772	(70)	-	-
December 31, 2007	-	50,119	4,752	218,813	13,300	19,622	-	306,606
Net book value	11,445	246,432	18,580	351,600	19,530	36,317	58,724	742,628

Equipment under finance lease

The cost of property, plant and equipment held under finance lease is USD 1,897 and USD 884 and has a net book value of USD 1,172 and USD 655 as at December 31, 2008 and 2007, respectively (Refer to Note 27).

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

9. INTANGIBLE ASSETS

	Goodwill	Brands	Other intangible assets	**Total**
Cost				
January 1, 2008	441,312	92,616	7,976	541,904
Additions	32,930	-	1,659	34,589
Additions through subsidiary acquired	-	30,065	1,084	31,149
Change in fair value of put options (Note 30)	(31,736)	-	-	(31,736)
Disposals	(16,299)	-	(148)	(16,447)
Disposals through subsidiaries sold	-	-	(1,056)	(1,056)
Currency translation difference	(63,978)	(14,237)	(968)	(79,183)
December 31,2008	**362,229**	**108,444**	**8,547**	**479,220**
Amortisation and impairment				
January 1, 2008	-	-	4,955	4,955
Amortisation for the year	-	-	1,080	1,080
Disposals	-	-	(24)	(24)
Disposals through subsidiaries sold	-	-	(437)	(437)
Currency translation difference	-	-	(751)	(751)
December 31, 2008	**-**	**-**	**4,823**	**4,823**
Net book value	**362,229**	**108,444**	**3,724**	**474,397**

	Goodwill	Brands	Other intangible assets	Total
Cost				
January 1, 2007	423,753	89,675	5,610	519,038
Additions	2,610	-	1,952	4,562
Disposals	-	-	(151)	(151)
Currency translation difference	14,949	2,941	565	18,455
December 31, 2007	441,312	92,616	7,976	541,904
Amortisation and impairment				
January 1, 2007	-	-	4,069	4,069
Amortisation for the year	-	-	664	664
Disposals	-	-	(148)	(148)
Currency translation difference	-	-	370	370
December 31, 2007	-	-	4,955	4,955
Net book value	441,312	92,616	3,021	536,949

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, 2008. 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. Goodwill of USD 328,628 was attributable to the cash generating unit in Russia and the remaining goodwill of USD 33,601 was attributable to the other cash generating units as of December 31, 2008. Brands of USD 80,366 was attributable to the cash generating unit in Russia and the remaining brands of USD 28,078 was attributable to the other cash generating units as of December 31, 2008.

Cash flows were projected with a combination of the strategic business plans of the Company for the period 2009 till 2011 and were extrapolated for the period 2012 till 2018. 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 10% and 1%, and 19% and 2%, respectively. The consumer price indices were estimated to be between 15% and 4%, and selling prices were estimated to increase in line with inflation. These projections were discounted at the pre-tax weighted average cost of capital of the cash generating units ranged primarily between 16.77% and 12.69%.

The Company believes that all of its management estimates and key assumptions are reasonable. Management believes that no reasonable possible change in any of the disclosed key assumptions would cause the carrying value materially exceed its recoverable amount.

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

10. AVAILABLE-FOR-SALE INVESTMENTS

	2008	2007
ZAO Mutena Maltery (Mutena Maltery)	**1,511**	1,511
Others	**14**	10
	1,525	1,521

Mutena Maltery, which EBI holds 11.09% ownership, does not have a quoted market price in an active market. The fair value of Mutena Maltery determined by independent valuation indicates no ground for impairment in the carrying value.

11. INVESTMENTS IN ASSOCIATES

The Group has a 28% interest in CEB, an investment in associate involved in operating breweries in Serbia.

	2008
CEB	**35,004**

The share of the net assets, liabilities, income and expenses of the investment in associate at 31 December 2008 and for the year ended which are included in the consolidated financial statements are as follows:

Share of associate's balance sheet	**2008**
Current assets	**6,356**
Non-current assets	**41,933**
Current liabilities	**9,495**
Non-current liabilities	**3,790**
Net assets	**35,004**

	2008
Share of associate's loss	**(5,010)**

12. TRADE AND OTHER PAYABLES

	2008	2007
Trade accounts payable	**43,575**	49,818
Taxes payable other than income tax	**16,034**	15,509
Accrued expenses	**5,137**	3,226
Other short-term payables	**28,613**	30,211
	93,359	98,764

Trade payables are non interest bearing and generally on 30-90 days' term.

	2008	2007
Liability for puttable instruments (Note 30)	**95,834**	127,009

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

13. BORROWINGS

	2008	2007
Current		
Bank borrowings (including current portion of long-term borrowings)	**430,597**	203,212
Finance lease liabilities	**425**	219
	431,022	203,431
Non-current		
Bank borrowings	**385,823**	342,344
Finance lease liabilities	**478**	254
	386,301	342,598
	817,323	546,029

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 2008 is USD 1,259 (2007-USD 1,241) and has been recognised as finance expense in income statement.

As of December 31, 2008, USD 625,423 (2007 – USD 343,566) of the total borrowings are secured with the followings till the maturity of the borrowings:

- Cash collaterals amounting to USD 86,600 (2007 – USD 30,304)
- The ability of Efes Karaganda, Efes Moldova and Efes Georgia to declare dividends is subject to prior consent of the related financial institution under the provisions of the loan agreements.
- A corporate guarantee amounting to USD 540,000 provided by Anadolu Efes.

The effective interest rates at the balance sheet date were as follows:

	2008	2007
Bank borrowings		
Non-current		
USD and EURO denominated borrowings	Base rate + (1.25%-4.25%) (12.00%)	Base rate + (1.55%-3.55%)
Other currency denominated borrowings	Base rate + (3.65%) (8.11%)	
Current		
USD and EURO denominated borrowings	Base rate + (2.00%) (6.50%)	Base rate + (0.50%-2.95%)
Other currency denominated borrowings	Base rate + (0.50%) 9.00%-20.00%	Base rate + (0.24%-1.50%) 7.75%-11.00%
Finance lease liabilities	6.00%-14.50%	12.25%-14.50%

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

13. BORROWINGS (continued)

Repayments of long-term debt are scheduled as follows (excluding finance lease obligation):

	2008	2007
2008	**-**	14,603
2009	**306,984**	299,119
2010	**193,581**	2,161
2011	**107,898**	2,161
Thereafter	**84,344**	38,903
	692,807	356,947

Future minimum lease payments for finance lease liabilities are as follows:

	2008	2007
Next 1 year	**471**	267
1 to 5 years	**527**	277
After 5 years	**-**	-
Total minimum lease obligations	**998**	544
Interest	**(95)**	(71)
Present value of minimum obligations	**903**	473

14. SHARE CAPITAL AND RESERVES

	2008	2007
	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**	211,428,569

As at December 31, 2008 and 2007, the composition of shareholders and their respective % of ownership can be summarised as follows:

	2008	2007
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.

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

15. EARNINGS PER SHARE

Basic earnings per share, 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:

	2008	2007
Net (loss)/profit attributable to ordinary shareholders	**(57,386)**	37,470
Weighted average number of ordinary shares	**211,428,569**	211,428,569
(Loss)/earnings per share (in full U.S. Dollars)	**(0.27)**	0.18

16. COST OF REVENUE

Cost of revenue comprised the following expenses:

	2008	2007
Inventory used	**472,770**	348,722
Depreciation & amortisation	**54,941**	47,259
Personnel expenses	**29,275**	23,633
Energy expenses	**26,949**	20,600
Repair and maintenance expenses	**16,203**	12,916
Other expenses	**13,614**	8,970
	613,752	462,100

17. SELLING AND MARKETING EXPENSES

Selling and marketing expenses are analyzed as follows:

	2008	2007
Distribution expenses	**86,848**	67,009
Marketing and advertising expenses	**77,565**	73,056
Personnel expenses	**41,977**	34,142
Depreciation & amortisation	**33,818**	21,704
Other expenses	**18,155**	14,998
	258,363	210,909

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

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include the following:

	2008	2007
Personnel expenses	**44,598**	37,689
Consulting and legal fees and other business services	**12,426**	8,659
Taxes and duties	**11,498**	10,009
Royalty expenses	**7,213**	6,434
Management fees and technical assistance	**7,011**	6,099
Depreciation & amortisation	**6,289**	5,009
Waste expenses	**3,674**	2,381
Bad debt provision	**1,927**	972
Vehicle expenses	**1,759**	1,315
Representation and communication expenses	**1,708**	1,651
Insurance expenses	**1,473**	1,365
Travel	**671**	631
Rent expenses	**641**	662
Security expenses	**548**	348
Repair and maintenance	**489**	1,096
Other expenses	**12,963**	10,499
	114,888	94,819

19. OTHER OPERATING INCOME / (EXPENSE)

Other operating income:

	2008	2007
Gain on holding activities, net	**25,713**	-
Gain on sale of soft-drink trademarks	**-**	3,712
Income from equipment renting	**1,490**	825
Income from toll filling of soft drinks	**759**	730
Release of unused provision -bad debt	**287**	1,083
Release of unused provision for property, plant and equipment	**-**	2,430
Net income from sale of various materials	**-**	1,329
Write-off expenses/payables	**-**	407
Release of unused obsolete - inventory	**-**	970
Other income, net	**1,571**	4,335
	29,820	15,821

Other operating expense:

	2008	2007
Provision for obsolete inventory	**(4,771)**	(2,256)
Loss on disposal of property, plant and equipment	**(2,106)**	(1,138)
Provision for litigation	**(341)**	(51)
Impairment of property, plant and equipment	**-**	(232)
	(7,218)	(3,677)

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

20. PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

	2008	2007
Wages and salaries	**101,177**	80,638
Other social expenses	**14,673**	14,826
	115,850	95,464

The average number of employees for the years was:

	2008	2007
Russia	**3,049**	2,710
Kazakhstan	**1,035**	713
Moldova	**481**	541
Georgia	**522**	-
Others	**436**	452
	5,523	4,416

21. DEPRECIATION AND AMORTISATION EXPENSES

	2008	2007
Property, plant and equipment		
Cost of revenue	**54,913**	47,224
Selling and marketing	**33,794**	21,693
General and administrative	**5,261**	4,391
Other operating expense	**419**	301
Total depreciation	**94,387**	73,609
Intangible assets		
Cost of revenue	**28**	35
Selling and marketing	**24**	11
General and administrative	**1,028**	618
Total amortisation	**1,080**	664
	95,467	74,273

22. FINANCIAL INCOME/ (EXPENSE)

	2008	2007
Interest income	**4,975**	4,744
Foreign currency exchange gains	**23,837**	14,333
Total financial income	**28,812**	19,077
Interest expense on borrowings	**(45,275)**	(36,437)
Interest expense on finance lease	**(110)**	(54)
Foreign currency exchange losses	**(124,700)**	(7,729)
Other financial expense	**(4,547)**	(3,781)
Total financial expense	**(174,632)**	(48,001)
Net financial expense	**(145,820)**	(28,924)

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

23. INCOME TAXES

	2008	2007
Current income tax	**(3,888)**	(18,909)
Deferred income tax	**22,235**	4,629
	18,347	(14,280)

The reconciliation of the total income tax to the theoretical amount is as follows:

	2008	2007
(Loss)/Profit before tax	**(77,185)**	51,627
Dividend income	**(234)**	(136)
Gain on sale of subsidiary	**(25,713)**	-
Loss on share of associates	**5,010**	-
Tax effect of loss making subsidiaries	**100,049**	10,170
Taxable profit	**1,927**	61,661
Tax calculated at the Company's tax rate of 25.5%	**(491)**	(15,724)
Impact of different tax rates in other countries	**1,265**	1,782
Tax losses carried forward	**18,595**	2,700
Change in tax rate	**3,865**	(1,005)
Non deductible expenses	**(2,244)**	(2,914)
Other reconciling items	**(2,643)**	881
Total income tax	**18,347**	(14,280)

24. DEFERRED TAXES

Components of deferred tax assets and liabilities are as follows:

	Assets		**Liabilities**		**Net**	
	2008	2007	**2008**	2007	**2008**	**2007**
Tax loss carried forward	**31,600**	13,005	-	-	**31,600**	13,005
Accruals	**7,463**	12,024	-	-	**7,463**	12,024
Inventory	**400**	499	-	-	**400**	499
Tangible assets	-	-	**(21,493)**	(26,347)	**(21,493)**	(26,347)
Other	**4,013**	3,713	-	-	**4,013**	3,713
	43,476	29,241	**(21,493)**	(26,347)	**21,983**	2,894

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

24. DEFERRED TAXES (continued)

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.

Movements in deferred tax during the year 2008 are as follows:

	Balance at January 1, 2008	Additions through subsidiary acquired	Disposals through subsidiary sold	Recognised in income statement	Translation effect	**Balance at December 31, 2008**
Tax loss carried forward	**13,005**	2,897	(2,456)	20,500	(2,346)	**31,600**
Accruals	**12,024**	-	(28)	(3,170)	(1,363)	**7,463**
Inventory	**499**	(267)	(64)	298	(66)	**400**
Tangible assets	**(26,347)**	(864)	458	1,792	3,488	**(21,473)**
Other	**3,713**	(3,410)	2,090	2,815	(1,215)	**3,993**
	2,894	**(1,644)**	**-**	**22,235**	**(1,502)**	**21,983**

The Company has tax losses of USD 31,600 (2007 - 13,005) that are available for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have been recognized in respect of these losses.

Movements in deferred tax during the year 2007 are as follows:

	Balance at January 1, 2007	Additions through subsidiary acquired	Disposals through subsidiary sold	Recognised in income statement	Translation effect	Balance at December 31, 2007
Tax loss carried forward	10,305	-	-	2,694	6	13,005
Accruals	9,792	-	-	1,481	751	12,024
Inventory	182	-	-	266	51	499
Tangible assets	(19,164)	-	-	(5,705)	(1,478)	(26,347)
Other	(2,676)	-	-	5,893	496	3,713
	(1,561)	-	-	4,629	(174)	2,894

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

25. NOTES TO CASH FLOW STATEMENTS

The fair value of assets and liabilities of subsidiaries at the date of acquisition/ (disposal) and the related cash flows were;

	2008		2008
	Fair values recognized in acquisition	**Previous carrying values**	**Disposals**
Cash and cash equivalents	**2,178**	**2,178**	**(1,152)**
Trade receivables	**688**	**688**	**(10,595)**
Due from related parties	**1,734**	**1,734**	**(2,039)**
Inventories-net	**7,997**	**7,997**	**(12,387)**
Other current assets	**2,059**	**2,059**	**(1,392)**
Property, plant and equipment-net	**28,544**	**23,361**	**(34,522)**
Intangible assets	**31,149**	**2,061**	**(618)**
Deferred tax assets	**238**	**-**	**-**
Other non-current asset	**-**	**-**	**(35)**
Trade and other payables	**(1,823)**	**(1,823)**	**3,308**
Due to related parties	**(559)**	**(559)**	**1,093**
Short-term loans	**(5,202)**	**(5,202)**	**33,261**
Other current liabilities	**(615)**	**(615)**	**3,360**
Income tax payable	**15**	**15**	**-**
Long-term debt – net of current portion	**(7,399)**	**(7,399)**	**-**
Deferred tax liability	**(1,882)**	**(1,890)**	**-**
Accumulated exchange differences	**-**	**-**	**5,854**
Net assets	**57,122**	**22,604**	**(15,864)**
Net assets acquired/(disposed)	**57,122**		**(10,733)**
Goodwill recognized/(disposed)	**32,930**		**(16,299)**
Partial disposal of subsidiary	**-**		**(18,726)**
Gain on holding activities, net	**-**		**(25,713)**
Total consideration in cash	**90,052**		**(57,899)**
Total consideration in kind (Note 3)	**-**		**(13,572)**
Net cash acquired with subsidiaries	**(2,178)**		**-**
Net cash disposed with subsidiaries	**-**		**1,152**
Net cash outflow/(inflow)	**87,874**		**(56,747)**

Fair value of shares purchased	**89,591**
Costs associated with the acquisitions	**461**
Total cost	**90,052**

The acquired subsidiaries contributed USD 3,736 from the date of acquisition to December 31, 2008 to the profit for the year of the Group. If the combination had taken place at the beginning of that year, the profit for the year from continuing operations for the Group for 2008 would have been USD (59,052) and revenue would have been USD 1,041,176.

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

26. FINANCIAL INSTRUMENTS

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

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

EBI operates in different countries, environments and cultures which bring varying degrees of risk and uncertainty. Due to the nature and size of the business, EBI employs a multi-layered internal control structure. Local management, under the guidance of the Board of Management, is responsible for implementing, operating and monitoring an effective internal control system, which is designed to provide reasonable assurance on the integrity of information processing, preventing loss of resources, achieving the business objectives and fair presentation of financial reporting. The Board of Management, under the supervision of the Supervisory Board and in particular its Audit Committee, oversees the effectiveness of internal risk management.

Financial Risk Management

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The credit risk of the Group is primarily attributable to its trade receivables. Maximum credit risk on the Group is limited to the amounts disclosed on the financial statements. The Group has its credit control policies and procedures in place and the exposure to credit risk is monitored on an ongoing basis. The credit risk arising from the transactions with customers is mitigated through operating with agreed credit limits and diversification of customers. Management believes that the provisions made are sufficient to cover expected losses. The highest amounts of trade receivables are approximately 7%, 4%, and 3% respectively of Group accounts receivable at December 31, 2008 (2007 – 9%, 3%, 3%) and there is no other significant concentration of credit risk. Distribution of trade receivables according to segments is as follows:

	Russia & Moldova		Kazakhstan & Georgia		Others[1] & Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Trade Receivables	**67,092**	61,923	**20,186**	24,984	**800**	1,233	**88,078**	88,140

1) Others include EBI and other subsidiaries included in the consolidation.

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

The Company's maximum exposure to credit risk for the components of the balance sheet at December 31, 2008 and 2007 is the carrying amounts as illustrated in Note 26.

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

26. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Certain parts of the interest rates related to borrowings are based on market interest rates; therefore the Group is exposed to interest rate fluctuations on domestic and international markets. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations. The Group mainly enters into LIBOR based contracts in its financial borrowings. As of December 31, 2008, 5.5% of the Group's long-term debt was at fixed rates (December 31, 2007, 2%).

The weighted average effective interest rates which are calculated from different types of currencies, as at December 31, 2008 are as follows:

Fixed rate bank loans	8.8%
Floating rate bank loans	Applicable Base Rate+1.7%

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Company's profit before tax:

	+/(-)Change (%)	Effect on profit before tax	
		2008	2007
USD denominated	1%	**2,366**	434
EURO denominated	1%	**38**	111
Other	1%	**103**	27

Foreign exchange risk

Foreign currencies play a significant role in the economies of the territories where the most of the subsidiaries of the Company are operating. The significant part of cash outflows related to financing activities as well as some part of accounts payable balances are hard currency denominated, while cash inflows are primarily denominated in national currencies. Significantly material part of company's sales is recognized in local currencies where its subsidiaries operate. Consequently, any significant decline in the value of the measurement currencies of the subsidiaries against U.S. Dollars may have a negative effect on the subsidiaries' financial position and results of their operations.

The subsidiaries generally do not hedge their foreign currency risks. The governments of these countries have established strict currency controls, which place restrictions on the conversion of national currencies into hard currencies and establish requirements for conversion of hard currency sales to national currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Country	Currency	+/(-) Change (%)	Effect on Profit Before Tax	
			2008	2007
The Netherlands	USD/EUR	10%	**6,004**	(2,125)
Russia	RUB/USD	10%	**(40,529)**	(988)
Kazakhstan	KZT/USD	10%	**(6,860)**	(4,467)
Moldova	MDL/USD	10%	**(2.424)**	-
Georgia	GEL/USD	10%	**(869)**	-

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

26. FINANCIAL INSTRUMENTS (continued)

Liquidity risks

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

The following table demonstrates the due dates of assets and liabilities according to the balance sheet date.

December 31, 2008	**On Demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Cash and cash equivalents	56,323	164,504	-	-	-	220,827
Trade receivables	45,787	38,323	3,968	-	-	88,078
Due from related parties	-	142	4,053	-	-	4,195
	102,110	**202,969**	**8,021**	**-**	**-**	**313,100**
Short term loans	2,836	75,483	49,913	-	-	128,232
Long term loans	514	2,300	310,409	158,588	288,587	760,398
Put option liability	95,834	-	-	-	-	95,834
Trade payables	152	39,058	5,724	45	-	44,979
Due to related parties	-	1,497	19,962	-	-	21,459
	99,336	**118,338**	**386,008**	**158,633**	**288,587**	**1,050,902**
	2,774	**84,631**	**(378,987)**	**(158,633)**	**(288,587)**	**(737,802)**

December 31, 2007	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Cash and cash equivalents	5,797	52,729	-	-	-	58,526
Trade receivables	-	85,368	2,772	-	-	88,140
Due from related parties	-	8,161	-	-	-	8,161
	5,797	146,258	2,772	-	-	154,827
Short term loans	-	27,753	168,567	-	-	196,320
Long term loans	-	6,970	8,415	395,197	-	410,582
Put option liability	127,009	-	-	-	-	127,009
Trade payables	-	50,406	-	-	-	50,406
Due to related parties	-	23,339	-	-	-	23,339
	127,009	108,468	176,982	395,197	-	807,656
	(121,212)	37,790	(174,210)	(395,197)	-	(652,829)

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

26. FINANCIAL INSTRUMENTS (continued)

Capital Management

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

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

The fair values of short-term and long-term leasing obligations approximate their carrying values since they are denominated in foreign currencies and revalued at year-end exchange rates.

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:

	2008	2007
Machinery and equipment	**509**	-
Other tangible assets	**1,388**	884
Accumulated depreciation	**(725)**	(229)
Net book value	**1,172**	655

Lessee - Operating Lease

One of the breweries 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 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 1,065 (2007 – USD 1,338).

(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 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 revenue. 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 & Moldova		Kazakhstan & Georgia		Others[1] & Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenue	**874,552**	740,172	**173,700**	109,249	**(10,206)**[2]	(13,186)	**1,038,046**	836,235
Depreciation & Amortization expenses	**81,314**	68,586	**13,921**	5,581	**232**	106	**95,467**	74,273
Loss from Associates	**5,010**	-	**-**	-	**-**	-	**5,010**	-
Other non cash items	**7,237**	670	**2,918**	518	**(25,786)**	-	**(15,631)**	1,188
Segment Result	**(84,611)**	53,741	**(1,475)**	9,078	**8,901**	(11,192)	**(77,185)**	51,627
Capital Expenditures [3]	**121,544**	89,143	**49,857**	38,501	**8**	11	**171,409**	127,655
Segment Assets	**951,553**	708,037	**253,910**	152,870	**528,855**	823,509	**1,734,318**	1,684,416
Investment in Associates	**35,004**	-	**-**	-	**-**	-	**35,004**	-
Operating Assets	**986,557**	708,037	**253,910**	152,870	**528,855**	823,509	**1,769,322**	1,684,416
Operating Liabilities	**516,036**	324,100	**117,394**	111,246	**397,852**	376,061	**1,031,282**	811,407

1) Others include EBI and other subsidiaries included in the consolidation.
2) Inter-segment revenues are eliminated on consolidation.
3) Capital expenditures consist of additions to property, plant and equipment and intangible assets.

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.

(a) Balances with Related Parties

Balances with related parties as of December 31, 2008 and 2007, which are separately classified in the consolidated balance sheet, are as follows:

Due from related parties	**2008**	2007
Mutena Maltery (3)	**2,027**	343
Anadolu Efes TMC (2)	**1,392**	2,947
Coca-Cola Bishkek Bottlers C.J.S.C (Coca-Cola Bishkek) (2)	**308**	1,970
Central Asian Beverages(3)	**248**	-
Coca-Cola Bottlers Kazakhstan Almaty (Coca-Cola Almaty) (2)	**180**	111
Efes Holland TMC (2)	**11**	2,727
Anadolu Efes (1)	**29**	63
	4,195	8,161

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

29. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Due to related parties	**2008**	2007
Efes Holland TMC (2)	**13,448**	12,624
Mutena Maltery (3)	**6,392**	5,169
Oyex Handels Gmbh (2)	**1,509**	3,583
ABH (2)	**67**	656
Anadolu Efes (1)	**11**	1,287
Others	**32**	20
	21,459	23,339

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, 2008 and 2007 are as follows:

Nature of Transaction	Related Party	**2008**	2007
Purchase of raw materials from;	Oyex Handels Gmbh (2)	14,828	9.724
Processing raw materials from;	Mutena Maltery (3)	12,587	9.503
Management and license fee	Efes Holland (2)	7,828	7.799
Sale of raw materials to ;	Mutena Maltery (3)	6,105	1.277
Purchase of beer from;	Anadolu Efes (1)	3,470	3.071
Purchase of service from;	ABH (2)	1,400	1.631
Sale of beer to;	Coca-Cola Almaty (2)	716	2.442
Sale of beer to;	Coca-Cola Bishkek (2)	619	3.394
Purchase of soda drinks from;	Coca-Cola Almaty (2)	270	91
Dividend income from	Mutena Maltery (3)	234	136
Sale of trade mark	Anadolu Efes TMC (2)	163	-
Processing services from;	Efes Tur (2)	227	89

(1) The ultimate shareholder of the Company
(2) Related party of Anadolu Efes
(3) Company's available-for-sale investments

3) Emoluments of the Board of Directors

a) The remuneration of management board of USD 743 (2007 – USD 578) and supervisory board of USD 177 (2007 – USD 174) were included in personnel expenses. The remuneration of management board consists of salary and bonus amounting to USD 537 and USD 206, respectively (2007 – USD 431 and USD 147).
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.

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 ("KV Agro") that may be exercisable between 2007 and 2010. 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. 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.

According to the reassessment of the put options, the contingent considerations related with the put options granted to EBRD and KV Agro amounting to USD 67,050 and USD 28,784, respectively, have been presented as 'liability for puttable instruments' in trade and other payables in the consolidated balance sheet. The differences with the previous years' figures in put option liabilities, amounting to USD (36,318) and USD 4,582, respectively, have been recognized in change in fair value of put-options under goodwill.

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.

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