

Board of Management

Functioning and strategy of the Board of Management

Pursuant to Dutch law and pursuant to the Articles, the Board of Management is responsible for the overall management of EBI. The Board of Management has adopted Board of Management Rules that regulate in detail its tasks and responsibilities. The Board of Management acts under supervision of the Supervisory Board. Pursuant to the Articles, members of the Board of Management are appointed for a maximum term of four years, provided that the term of appointment will end at the closing of the first general meeting of shareholders in the fourth year following the year of appointment. Pursuant to the Board of Management Rules, a member of the Board of Management can be re-appointed for

another four year term after expiration of the first four year term. New members of the Board of Management are appointed by the General Meeting. 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 Board of Management currently consists of the following four members: Mr. Muhtar Kent, Chairman, Mr. Hurşit Zorlu, Mr. Demir Şarman, Mr. Gerard Jan van Spall

In order to see CVs of Members of Board of Management please refer to "Company Profile" section, "Composition of Board of Management" (pg: 14-15)

New Appointments

Mr. Kent, who has been the Chairman of the Board of Management since 2003, has elected to leave his current duties effective May 1st, 2005. Mr. Ahmet Boyacıoğlu will be his successor subject to approval at the General Meeting of EBI in May 2005. Mr. Semih Mavis, who has been acting

as the Managing Director of Moscow Efes Brewery since 1999, has been appointed as a member of the Board of Management and the new Chief Executive Officer of EBI effective as of 1 June 2005.

Meetings

The Board of Management meets at least once a month and besides whenever one or more of the members have requested a meeting. In 2004, all resolutions were passed with unanimous vote. Pursuant to the Articles, several transactions require the approval of the Supervisory Board. In 2004 all transactions subject to the approval of the

Supervisory Board were approved by the Supervisory Board. The most important resolutions submitted to the approval of the Supervisory Board in 2004 were the resolution for the initial public offering of EBI, the adoption of documents related to corporate governance, the sale of the brewery in Ukraine and the acquisition of a second brewery in Serbia.

Evaluation of the functioning of the Board of Management

Topics of the meetings of the Board of Management included, among other items:

- EBI's general strategy;
- EBI's day-to-day financial operations;
- Planning and monitoring the marketing strategy of EBI;
- Assisting and supervising the operations of EBI's subsidiaries;
- Investigating and executing of business development progress as well as investments and acquisitions;
- The performance and internal division of tasks of the Board of Management.

The Board of Management visited EBI's subsidiaries frequently in 2004. Another important occupation in 2004 was the initial public offering of EBI on the London Stock Exchange. The Board of Management was in close contact with the investment bankers, analysts, external lawyers and investors from the beginning of 2004 till the successful listing on 21 October 2004. In relation to this, the Board of Management made efforts to implement proper regulations for compliance with the Dutch Corporate Governance Code. The other important actions were the sale of the brewery in Ukraine and the successful acquisition of a second brewery in Serbia.

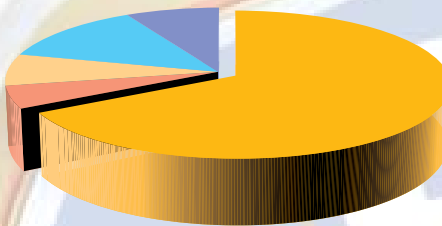
Operational Review

Sales Volumes and Revenues

In 2004, EBI's consolidated sales volume increased to 7.6 million hectolitres representing an increase of 44% from 5.3 million hectolitres in 2003. The Russian Federation continues to be one of the fastest growing beer markets in the world and EBI significantly outperformed the Russian beer market in 2004 reflecting EBI's strong positioning in the higher value-added and higher-margin mid to premium priced segments.

In 2004, all EBI brands showed a great performance over 2003. In addition to the existing brands in its brand portfolio, the new brands, which were added into the brand portfolio through the acquisitions, has significantly contributed to the consolidated sales volume of EBI in 2004. After the re-launch of the "Beliy Medved" brand (Russia) in August 2003 and "Weifert" brand (Serbia) in December 2003, the sales volumes of each brand showed a significant growth of 127% and 600% in 2004 vs 2003, respectively.

■ Russian Fed.	67 %
■ Moldova	13 %
■ Kazakh.	8 %
■ Romania	7 %
■ Serbia	5 %



Sales Volume

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Net Revenue

■ Russian Fed.	77 %
■ Moldova	9 %
■ Kazakh.	7 %
■ Romania	4 %
■ Serbia	3 %



Net sales on a consolidated basis in 2004 and 2003 were US\$ 398.5 million and US\$ 264.1 million, respectively, representing a growth of 51% over the same period in the previous year and exceeding the volume growth for the same period.

Profitability

Profit from operations increased by 63% in 2004 vs 2003 reaching US\$ 58.4 million. Although the operating expenses in 2004 included integration costs of the acquired breweries as well as increased selling and marketing expenses related to the re-launch of the acquired brands, such as Bely Medved, the increase of the operating expenses is below the revenue growth, allowing for further margin expansion.

EBI recorded EBITDA of US\$ 98.3million and US\$ 63.8 million in 2004 and 2003 respectively reflecting a growth of 54% over the same period in the previous year. EBITDA margin of increased to 24.7% in 2004 from 24.1% in 2003 shows a significant margin expansion.

Net profit decreased by 33% to US\$ 35.6 million in 2004 from US\$ 53.1 million in 2003, reflecting the impact of one-off items in 2003 and 2004, in particular; (i) the capital gain of US\$ 26.4 million recorded as a result of acquisition of the Amstar Brewery in Russia in August 2003 partly through a share swap and (ii) the recognition of impairment loss of US\$ 4.4 million for the investment in Ukraine in 2004 which is in the process of being sold. Excluding these one-off items in 2003 and 2004, the increase in the net profit for 2004 was approximately 50% in line with revenue growth.

Acquisitions and Capex

EBI acquired 64.4% of the share capital of the 7 Septambar A.D. Zajecar Brewery ("Zajecar" brewery) located in Zajecar, Serbia-Montenegro through a tender offer in September 2004. Based on approximately €/ Euro 18.5 million value for 100% of Zajecar shares, EBI paid approximately €/ Euro 12 million for the 64.4% stake acquired. Zajecar brewery has 100 million litres of annual brewing capacity and produces "Pils Plus" and "Zajecarsko" brands. The brewery sold approximately 44 million litres of beer in 2003.

EBI entered the Serbia-Montenegro beer market through the acquisition of the Weifert brewery in Pancevo in August 2003. Following the acquisition of the Zajecar brewery and together with the Weifert brewery, EBI increased its total capacity to 140 million litres and its share in the beer market to 19.81%, becoming the third largest brewer in in Serbia-Montenegro.

In addition to the acquisition of Zajecar brewery, EBI invested US\$ 52.2 million for its existing operations in 2004. The investing activities include mainly the purchase of property, plant and equipment, principally in connection with the expansion of the production capacity in Moscow Brewery, and improvements and upgrading of the brewing facilities in other operating companies.

EBITDA

■ Russian Fed.	79 %
■ Moldova	10 %
■ Kazakh.	6 %
■ Other*	5 %



*; includes 50% of Romania, Serbia, Headquarter and consolidation adjustments

Operational Review

Initial Public Offering

EBI completed a successful listing of GDRs on the London Stock Exchange in October 2004. The offering is effected by means of an offer of new shares by EBI and existing shares held by certain selling shareholders. The use of proceeds from IPO is planned to finance further growth of EBI. The offer comprised an aggregate of 8,354,013 GDRs including the exercise of the over allotment option, corresponding to a total offer size of US\$ 194 million of which 5,135,240 GDRs corresponding to US\$ 119 million is the new capital issued by EBI. Each GDR represents five ordinary shares of EBI. The GDRs is listed on the London Stock Exchange under symbol "EBID". Based on the offer price of US\$ 23.25 per GDR, and the number of shares in issue, the market capitalisation of EBI at listing is US\$ 688 million. The price of a GDR was US\$ 30.00 on 31 December, the last trading day in 2004, corresponding to a market capitalisation of US\$ 888 million representing an increase of 29% over the value at listing.

Marketing

EBI views its brand portfolio as a key asset and believes the image of the brand and its message are essential elements in a consumer's choice of beer. EBI seeks to have a brand portfolio in each of the territories in which it operates, consisting of at least one brand positioned visibly as a local premium and licensed or imported brand. EBI believes that local positioning is one of the key elements that has brought early success to EBI since consumers in the territories exhibit a preference for local brands. With respect to the Efes Pilsener brand, marketing efforts are coordinated with the marketing strategy of the Efes Beverage Group and are aimed at reinforcing the image of the brand as a premium international beer.

EBI sponsors various sporting and cultural events in its operating countries, particularly where advertising is restricted or impractical. One of these activities is promotion in certain of the operating countries of the "Efes Pilsen" basketball team of the Efes Beverage Group, which ranks number one in terms of total number of championships won in the Turkish basketball league and has enjoyed success in the European Championships, reaching the "Final Four" in 2000 and 2001. The success of the basketball team has provided high-profile publicity and increased recognition of EBI's brands in some of the operating countries in particular in Serbia. For the period from 2003 to 2005, Efes Russia is sponsoring the World and European Ice Figure Skating Championship with the "Efes





Pilsener” brand and also, promotes the “Stary Melnik” brand through sponsorship of the national football (soccer) team in Serbia, EBI sponsored the Serbian national basketball league, which is called “Efes Premier League” throughout 2004. In Moldova, Efes Moldova promotes the “Chisinou” brand through sponsorship of the Moldovan National Olympic Team. In addition to sports sponsorships, the operating companies of EBI sponsor cultural events such as music concerts, which attract widespread media attention and reach a broad base of consumers.

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EBG Support

EBI receives management support from EBG and administrative services including management systems and techniques, procurement services such as assisting in the selection of raw materials from abroad in the event that raw materials are not available through the local channels. EBI also receives marketing, distribution and sales services, including assistance with customer services, statistical analysis and market research and assistance in developing and evaluating the market and new markets, human resources management services and training in relation to other services. The relationship between EBI, its operating subsidiaries and EBG are formalised through certain long-term management support agreements.

Forecast for the next year

The beer markets in the territories, in which EBI operates, are among the least saturated beer markets in developing countries with comparable levels of disposable income and per capita consumption. In addition, disposable income and per capita consumption of beer in these territories are increasing which is believed to be a continuation of a long term growth trend. In addition there is still significant growth potential as evidenced by the expected 5.4% and 7.8% growth of per capita consumption in the Russian and Kazakh beer markets, respectively (CAGR 2004-2009E).

EBI plans to sustain the growth momentum it has experienced over the past 5 years with organic growth in existing markets of operation as well as strategic value adding acquisitions and investments in both the current markets and the new markets in the operating geography spanning from the Adriatic Sea to the borders of China. Accordingly strong top line growth is expected in 2005 with operating profitability maintained.



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Risk Profile

Although the economies of the territories in which EBI operates have been in the past characterised by declining industrial production, significant inflation, rising unemployment, unstable currencies and moderate to high government borrowing requirements relative to GDP, in recent years these territories have experienced GDP growth and stable currencies. At the same time depending on the improvements in the macroeconomic conditions of the countries in these territories, the level of average disposable income in the territories have improved. Given the high correlation between average disposable income and per capita consumption in developing markets, changes in the macroeconomic conditions may have substantial impact on the beer market in the territories.

EBI established in the Netherlands and currently operates through its subsidiaries in 5 countries and reports in US Dollar. Since the accounts of the operating companies are kept in local currencies, fluctuations in the exchange rates in these operating countries may impact the financial results of EBI.

The implementations of the restrictions on, or the prohibitions of, beer advertising in the mass media or certain sales channels could have an effect on the beer markets in the territories and therefore on the results of operations of EBI. For example, in Russia a new advertising law that places some restrictions on beer





advertising came into effect on 20 August 2004. According to the new advertising law, those restrictions include mainly a ban on the broadcasting of beer commercials on television and radio between 7 a.m. and 10 p.m. and a prohibition on the use of images of people or animals on beer advertising. In addition, a new law on sales and consumption of beer has come into effect as of 13 April 2005, which brings certain restrictions on the retail sales and public consumption of beer including a minimum legal age of 16 years for beer consumption in public places and the purchase of alcoholic beer. Accordingly, the retail sales and public consumption of beer in children's educational and medical facilities, in public transportation, cultural establishments as well as the retail sale of beer in sport facilities are fully restricted excluding specially equipped public food areas which shouldn't necessarily be a legal entity. Sales at parks and summer cafes are allowed subject to the approval of local authorities.

Anadolu Efes, operating in Turkey where beer advertising on TV and radio is fully restricted, has build up significant experience on utilizing alternative marketing channels to advertise and promote its beer products over the past 20 years. As a result, EBI currently utilizes a number of alternative marketing channels such as sponsorships and point of purchase("POP") advertising to promote its products. However the impact of such changes on the regulations of beer markets in the territories are currently less predictable.

As a part of regulation of the beer industry, the beer sales in the territories are subject to taxation and government surcharges that include excise and value-added taxes, which from time to time changes. Changes in such taxes may have an impact on the beer markets in the territories and the operations of EBI.

Internal Risk Management

Internal risk management principally enables EBI to run its operations effectively, to keep the reliability of the financial reporting and to comply with laws and regulations. Internal risk management consists of several interrelated components and is an integrated part of the management process. The settlement and measurement systems of achievement of the business objectives, the procedures of internal control system which are designed to provide reasonable assurance for the successful flow of activities such as sales, production, marketing, supply chain and finance are in place or are being improved.

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 of preventing loss of resources, achieving the business objectives and achieving reliable 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.



Investor Relations Function



EBI undertakes an active investor relations programme with its shareholders and the wider financial community since its listing in October 2004. The Company immediately announces the important operational developments through news releases as they occur and also gives presentations following the release of its results for existing shareholders, potential institutional investors and financial analysts. EBI also attends international conferences for the institutional investors.

All news releases announced publicly as well as copies of the presentations given are made available on EBI's website at www.efesholland.nl together with other information including but not limited to operations, financial performance and corporate governance.

Since its listing until the end of 2004, EBI presented its results for the nine month period ending on September 2004 through a conference call with institutional investors and financial analysts in December 2004. EBI also attended a conference in December 2004 on the Russian Beverage Industry and presented to the institutional investors and financial analysts.

