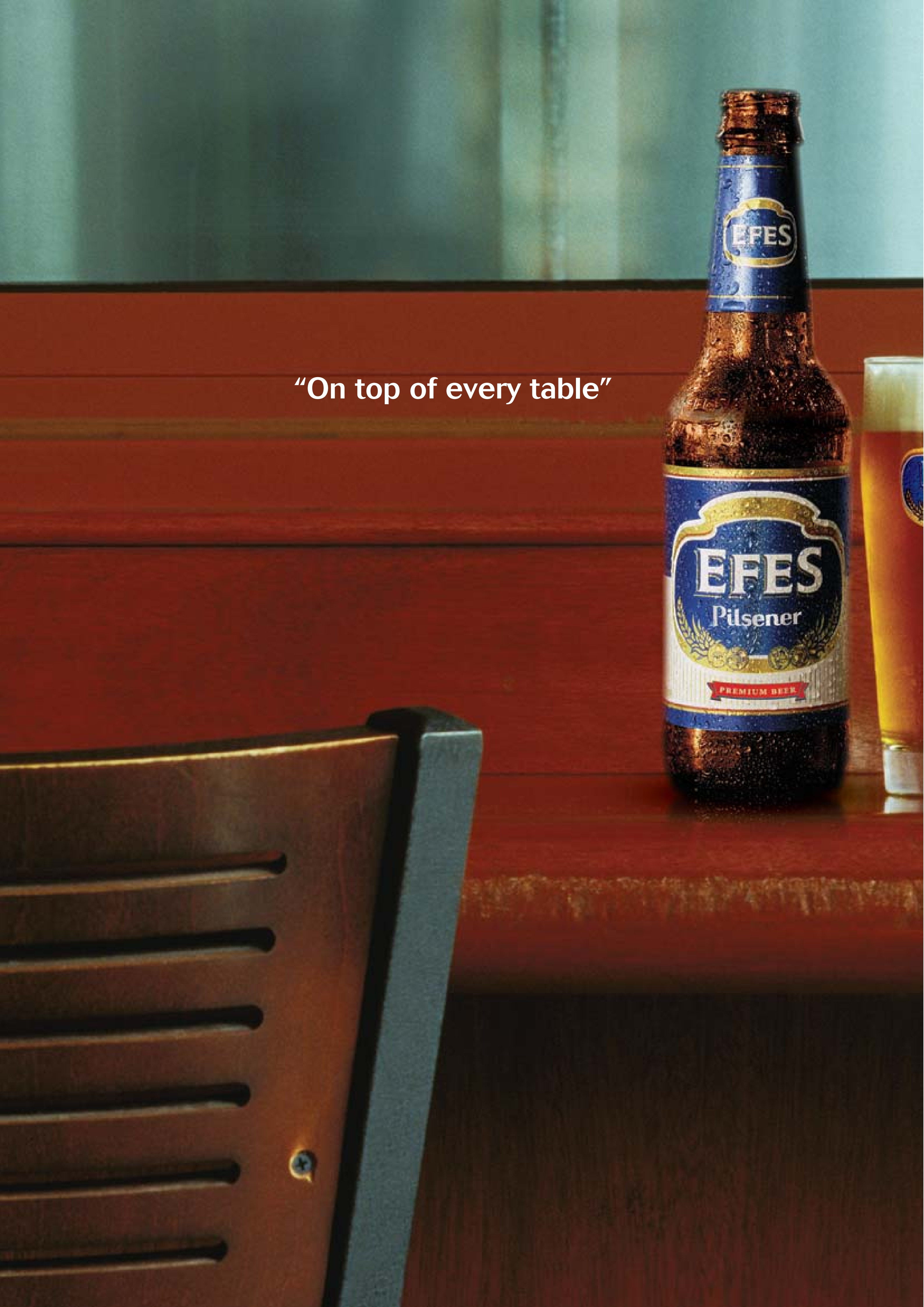
EFES BREWERIES INTERNATIONAL

2004

ANNUAL REPORT


"On top of every table"
EFES
EFES
Pilsener
PREMIUM BEER

AT A GLANCE

Key Statistical Data on EBI

		2003	2004	%Change
Income Statement				
Net Sales	m USD	264	399	51%
Operating Profit	m USD	36	58	63%
Operating Profit Margin	(%)	14%	15%	
Depreciation and Amortisation (Including Amortisation of goodwill)	m USD	24	36	50%
Net Income	m USD	53	36	(33)%
Net Income Margin	(%)	20%	9%	
EBITDA[5]	m USD	64	98	54%
EBITDA Margin	(%)	24%	25%	
Balance sheet				
Cash and Cash Equivalents at end of the year	m USD	33	135	312%
Total Assets	m USD	449	630	41%
Shareholder's Equity	m USD	219	381	74%
Total Financial Debt	m USD	117	103	(12)%
Net financial debt / EBITDA	multiple	1.3	-	
Other Data				
Beer Sales Volumes	m hectoliters	5.3	7.6	44%
Capital Expenditure (Gross)[6]	m USD	88	68	(23)%
Earning per share[7]	USD	0.44	0.28	(36)%
Average Number of Employees	Number	3,606	3,985	11%

Note 1: New operation acquired by EBI in 2004; Zajecar Brewery (Serbia) is consolidated for the period October - December 2004.

Note 2: New operations acquired by EBI in 2003; Vitanta Brewery (Moldova), Amstar Brewery (Russia), and Pancevo Brewery (Serbia) are consolidated for the periods January-December 2003, July-December 2003, September-December 2003 respectively.

Note 3: Interbrew Efes Brewery in which Efes Breweries International holds 50% stake is accounted for by using proportionate consolidation.

Note 4: 1 Hectoliter = 100 liters

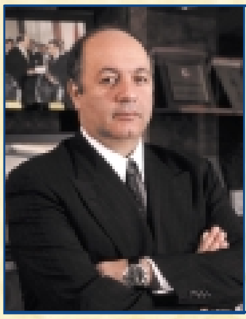
Note 5: EBITDA here means earning before interest (financial income/(expense)-net), tax, depreciation and amortisation, minus minority interest, and as applicable, minus gain on sale of subsidiaries and investment in securities, plus provisions, reserves and impairment.

Note 6: Capital expenditure means cash used in the purchase of property, plant and equipment and intangible assets and cash used for the acquisition of subsidiaries (net of cash acquired).

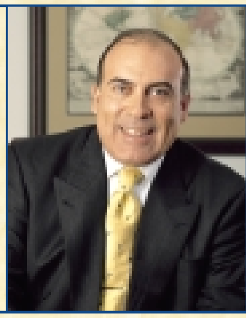
Note 7: Earning per share have been calculated by dividing the net profit for the year by weighted average number of ordinary shares outstanding during the year.

Sources: The market share and industry data contained in this Annual Report has been taken from Canadean Global Beer Trends 2004. Unless otherwise stated, market share and product segment data in this Annual Report has been drived from ACNielsen data.


EFES
EFES
Pilsener
PREMIUM BEER



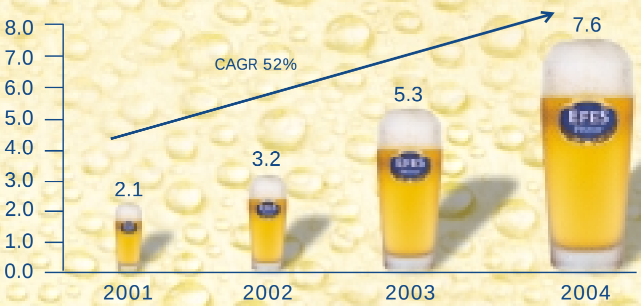
Letter to Shareholders



Dear Fellow Shareholders,

2004 was indeed the most important year in EBI's short history. We not only maintained the rapid organic and profitable growth of our business but also successfully completed an Initial Public Offering (IPO).

EBI's Volume Growth | million hectoliters



Leveraging our **fast**, **flexible** and **focused** organization enabled us to differentiate ourselves from most of our international competitors, ensuring delivery of remarkable organic growth.

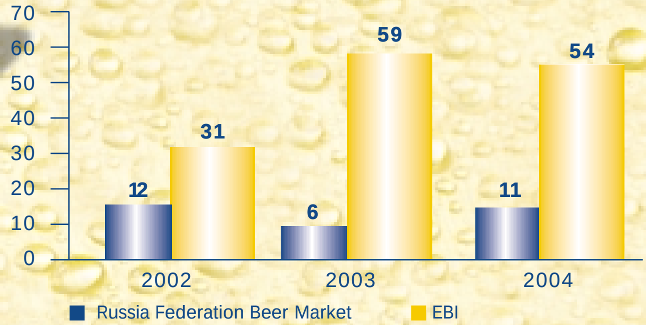
In EBI we have been continuously investing in our diverse and dynamic workforce in order to enhance our production and marketplace capability. 2004 saw us launch "Efes Academy" internationally in EBI; starting with Russia where most of our workforce have access to and have gone through interactive training in the field of sales, marketing, production, finance, accounting and languages.

EBI is one of a handful of major emerging market brewers whose assets are scattered throughout Eastern Europe, Russia and the CIS, whose legal establishment is in Western Europe, with **headquarters** in **Amsterdam** and a listing on **the London Stock Exchange**.

Continuous enhancement of our **Corporate Governance** has always been a top priority and EBI is subject to the Dutch Corporate Governance Code since October 2004, and it is committed to be one of the vanguards of Corporate Governance amongst our peers and also in our region.

In 2004, EBI was the 4th largest brewer **in Russia**, the **world's fifth largest beer market**. We witnessed superior performance of our brands in the Russian beer market where competition is gaining momentum. Among the leading brands in the local premium segment, "Stary Melnik" was the overall best selling brand in the highly competitive

Russia Market vs EBI Growth | %



Moscow market and the 4th largest brand by value in the Russian beer market as a whole. We enriched our portfolio by the addition of **Czech** brand "**Zlatopramen**" in the licensed category supporting "Warsteiner" and

Russia - Top Brands by Value (%)	
Baltika (Carlsberg/S&N)	13
Klinskoe (InBev)	6
Arsenalnoe	4
Stary Melnik	**4**
Ochakov	4

Moscow - Top Brands by Value (%)	
Stary Melnik	**11**
Baltika (Carlsberg/S&N)	10
Klinskoe (InBev)	9
Ochakov	7
Z. Bochka (SABMiller)	5

Source: AC Nielsen YTD Dec' 2004

"Efes Pilsener" which performed successfully to become the **10th best** selling brand by value in the **Moscow** market. At the same time our "Sokol" and "Beliy Medved" brands which were included in our portfolio and re-launched last year, **increased their sales volumes several times vs. prior year.**

EBI was also among the top three brewers in the other markets of operation, except for **Romania** where we retain a different but successful business structure as a joint venture with InBev.

In **Moldova**, we increased our volumes **by 20%** and maintained our **leadership in the beer market with 75% market share**. Following the **re-launch of the "Viva" brand** we also solidified our position in the carbonated soft drinks market with 48% share. Currently the upgrading of our facility is underway which will enable us to further capitalize on our already strong base.

In 2004, our sales volumes **in Kazakhstan grew by 23%**. "Karagandinskoe" continued to be the best selling brand in the rapidly growing Kazakh beer market.

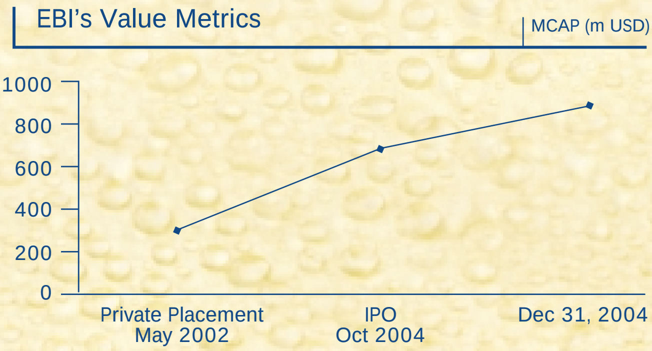
In September 2004, we completed the **acquisition of the majority shares of Zajecar Brewery** located in Zajecar, **Serbia & Montenegro**. Together with the **Pancevo Brewery** which was acquired in **August 2003**, we **increased our total capacity to 1.4 million hectoliters and our share in the Serbian beer market to 10% thereby becoming the third largest brewer in the market**. Our **sales volume growth in the Serbian beer market in 2004 was as high as 7 times vs. prior year** and we saw our "**Weifert**" brand re-launched in December 2003 **grew rapidly**.

Valued Shareholders,

In 2004, we managed to grow our entire business significantly ahead of our already aggressive plans. **Sales volumes** were **up by 44% to reach 7.6 million hectoliters**. Corresponding **revenue growth was 51% reaching USD 399 million** whilst **Operating Profit increased by 63% to USD 58 million**. **EBITDA grew by 54% to reach USD 98 million, resulting in an EBITDA margin of 25%.**

In 2004, we also completed **an initial public offering which was announced to be one of the most successful emerging market offerings since 2000**.

We offered EBI with a market capitalization of USD 688 million at listing. We have provided a gross USD 119 million of funds for EBI through the offering that reached a total size of USD 194 million. We saw that the value of EBI quickly increased to over USD 900 million in the year end evidencing the confidence of our investors to our successful profitable growth model. We will use these funds to finance the investments in line with our strategies to further accelerate the growth of our business.



Dear Shareholders,
As we move into 2005 we continue to operate EBI with a constant eye for profitable growth. We have no doubt that in 2005 we will continue to demonstrate our ability to capture the opportunities in our operating territory and continue growing rapidly and profitably.

We will build on our solid and dynamic performance over the past 6 years and further improve the value of our company.

We wish to extend the gratitude of the Supervisory Board and the Board of Management to our esteemed shareholders for their wisdom and support.

We look forward to another dynamic year together.

Sincerely,

Tuncay Özilhan
Chairman of the Supervisory Board

Muhtar Kent
Chairman of the Board of Management


Старый
мельник
"On top of every table in Russia"
COMPANY
PROFILE

General Overview

Efes Breweries International N.V. ("EBI"), registred in the Netherlands, is a leading brewing group in the countries in which it operates across the Commonwealth of Independent States ("CIS"), Eastern Europe and the Balkans. Currently it operates nine breweries and two malteries in Russia, Kazakhstan, Moldova, Romania, and Serbia & Montenegro. EBI is one of the major brewers in the region with total annual brewing capacity of around 11 million hectolitres and a malt production capacity of 52,500 tons per annum. EBI ("EBID") is listed on the London Stock Exchange.

EBI's strategic positioning is in premium or the fast growing segments of the beer markets in which it operates. The product portfolio of EBI consists mainly of local premium and local mid-priced beer brands, many of which hold leading positions in their respective market segments, and the Efes Pilsener international brand. EBI's current long-term strategic goal is to be one of the leading brewers in the region extending from Adriatic Sea to the borders of the People's Republic of China.

EBI is a majority owned subsidiary of Anadolu Efes Biracılık ve Malt Sanayii A.Ş.("Anadolu Efes"), the leading beverage company in Turkey listed in the İstanbul Stock Exchange. Anadolu Efes, which together with its direct and indirect subsidiaries and affiliates constitutes Efes Beverage Group("EBG"), produces and markets beer, malt, soft drinks and bottled water across Turkey, Eastern Europe, the Balkans and the CIS. All international brewing operations of EBG are conducted by EBI. EBG is the beverage division of the Anadolu Endüstri Holding A.Ş. ("Anadolu Group"), one of Turkey's leading conglomerates, with principal interests in the beverage, automotive, finance and writing instruments and office supplies sectors through partnership and joint ventures with leading international companies.

Mission, Vision & Strategy

Our vision is to become the fastest growing and one of the leading brewing groups from the Adriatic Sea up to the borders of the People's Republic of China by creating sustainable value for our shareholders.

Our mission is to be one of the top three producers in the operating segments in each country in which we operate.

Our Strategies

In order to realize our mission and vision we will continue to pursue a strategy aimed at increasing revenue and profits including:

- To expand in existing territories and into new territories in our operating region
- To continue to invest in our brands
- Focus on high margin or growing segments

Milestones

Start Up
1996-1998

EBI founded in the Netherlands.

Efes Karaganda Brewery (“Efes Kazakhstan”) was acquired through privatization by Anadolu Efes with annual brewing and malting capacities of 0.40 million hectoliters and 6,500 tons respectively. (1996)

Joint venture with the government of the City of Moscow to develop maltery and brewery.(1997)

Commercial production started in Romania. (1998)

Renovation of Efes Kazakhstan completed. (1998)

Emerging Brewing Group
1999-2002

Moscow Efes Brewery (“Efes Russia”), the first green-field modern brewery in Moscow, established in partnership with the European Bank for Reconstruction and Development (“EBRD”) and the government of the City of Moscow, commenced production with 1.5 million hectoliters of annual brewing capacity. (1999)

Stary Melnik launched in Russia. (1999)

Production started in the malt production facility in Moscow-Russia adjacent to Moscow Efes Brewery. (1999)

Romanian Efes Brewery restuctured as a 50%-50% JV with Inbev, "Interbrew Efes Brewery" established. (2000)

Stary Melnik became Moscow's leading beer in local premium segment. (2001)

Doubling of capacity in Moscow brewery to 3.0 million hectoliters - 2 years ahead of schedule. (2002)

Efes Kazakhstan was acquired from Anadolu Efes by EBI. (2002)

EBI, increased its capital thereby allocating 15% of the capital to selected foreign institutional investors through a private placement in order to provide external funding to further accelerate its rapidly growing operations. (2002)

Leading German brand “Warsteiner Premium Verum” launched in Russia. (2002)

Dynamic High Growth Regional Brewer

2003-2004

Acquisition of the Vitanta Intravest S.A. ("Efes Moldova"), the leader of the Moldovan beer, soft drinks and water markets, located in Chisinau- Moldova with 0.8 million hectoliters of annual brewing capacity. (2003)

Production commenced in Rostov, the new green-field brewery in Russia with 1.0 million hectoliters of annual brewing capacity. (2003)

Production commenced in the brand new brewery in Almaty-Kazakhstan with 0.6 million hectoliters of annual brewing capacity. (2003)

Acquisition of the Amstar Brewery located in Ufa, in the Urals region of Russian Federation. (2003)

Acquisiton of the Pancevo Brewery in Serbia, located on the outskirts of Belgrade("Efes Weifert") with 0.4 million hectoliters of annual brewing capacity. (2003)

Production capacity of the Moscow Brewery increased to 4.5 million hectoliters. (2004)

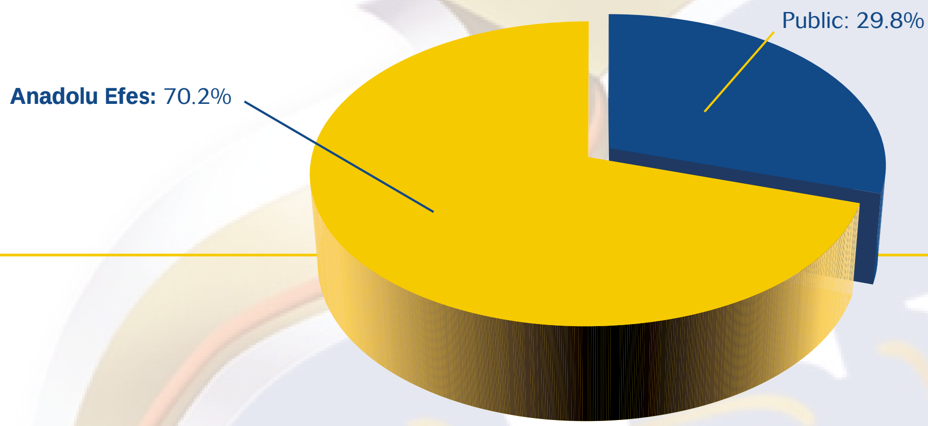
Acquisition of the second brewery in Serbia, located in Zajecar ("Efes Zajecar") with 1.0 million hectoliters of annual brewing capacity. (2004)

Initial Public Offering of EBI and listing of GDRs in the London Stock Exchange with a free float of 30%. (2004)

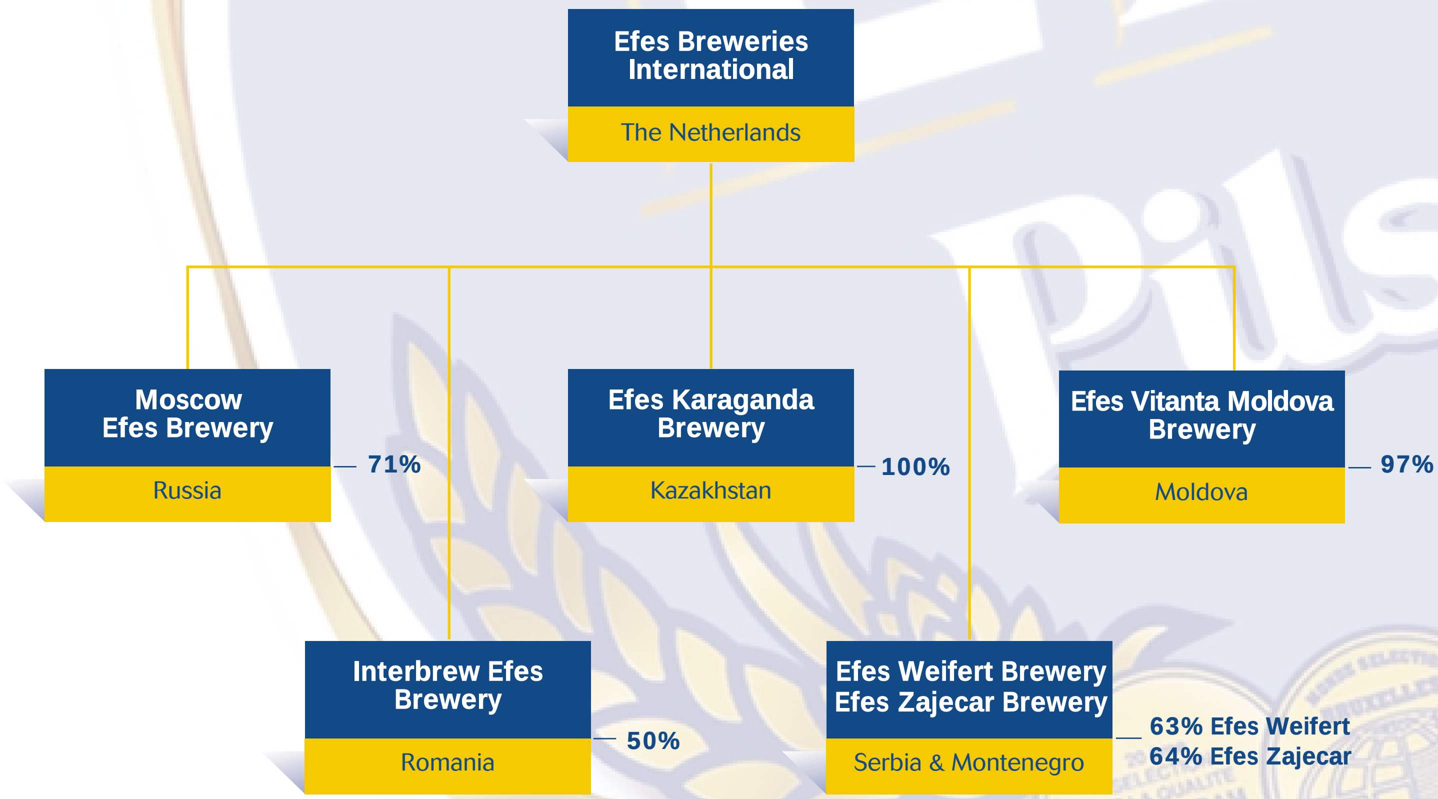
Shareholding Structure

The shareholding structure of EBI consists of; Anadolu Efes with 70.2% share and the remaining 29.8% is publicly held.

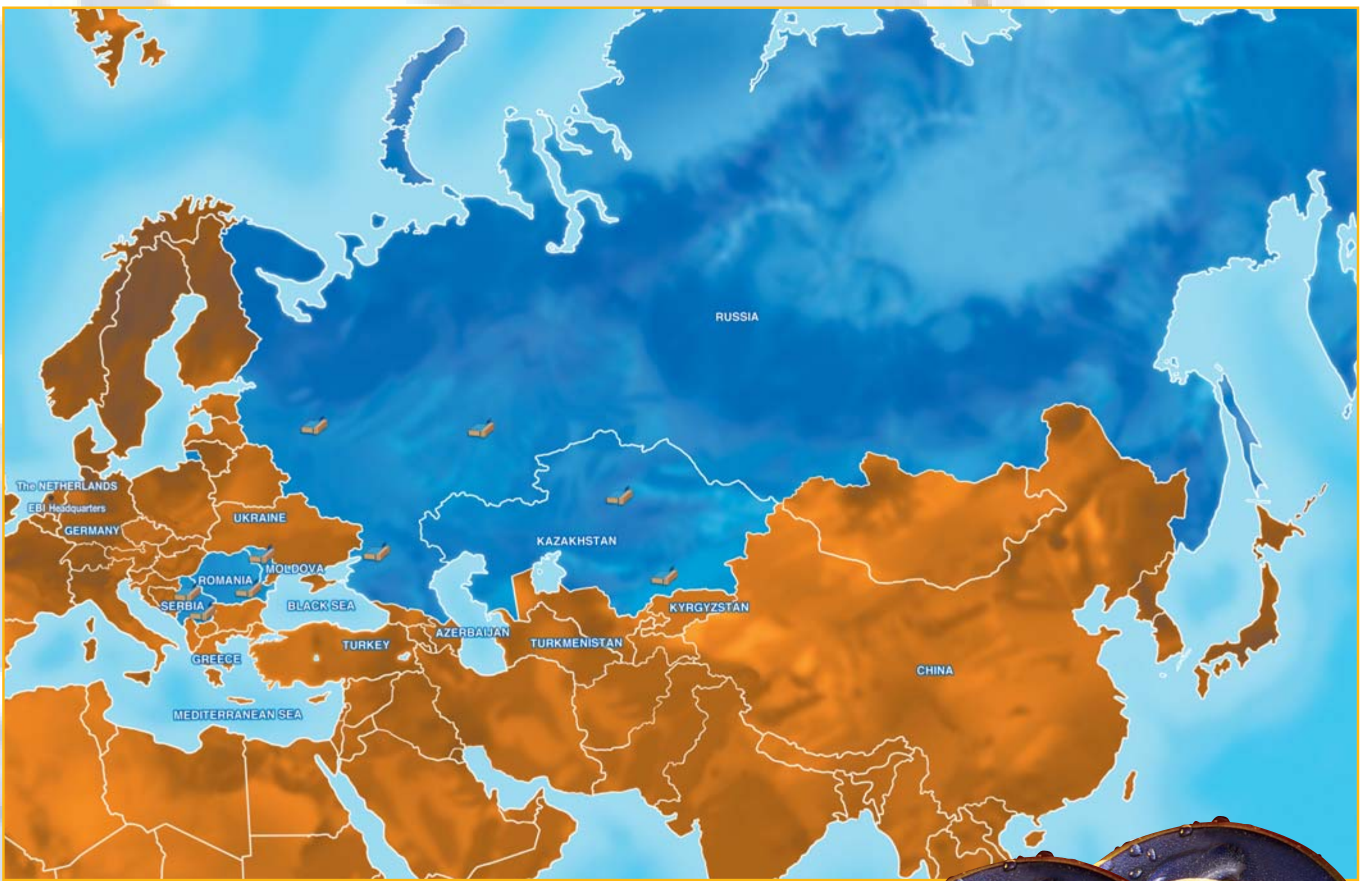
GDRs (EBID), each representing 5 ordinary shares of EBI, are traded on the London Stock Exchange.



Group Structure



Operating Territories



Left to right: Supervisory Board: Sir David Logan, İbrahim Yazıcı, Mustafa Uysal, Micheal O'Neill, Metin Tokpınar, Tuncay Özilhan
Board of Management: Demir Şarman, Muhtar Kent, Hurşit Zorlu
Secretary of the Board: Aimee van der Westerlaken

Board of Management

Muhtar Kent

CEO
Chairman

- Joined in 1999
- Prior senior VP at Coca-Cola International
- More than 20 years of experience at Coca-Cola, holding senior positions worldwide

Mr. Kent, 52, joined Efes Beverage Group EBG in 1999 and currently serves as President and Chief Executive Officer ("CEO") of Efes Beverage Group EBG and as the Chairman of the Board of Management and Chief Executive Officer CEO of EBI. Mr. Kent also acts as vice chairman of the Board of Directors of Efes Sınai Yatırım Holding A.Ş. ("Efes Invest"), and is a member of the Boards of Directors of Anadolu Endüstri Holding ("AEH"), Coca-Cola İçecek A.Ş. ("CCI") and Anadolu Efes. Prior to joining the Anadolu Group, he was managing director of Coca-Cola Amatil-Europe from 1995 to 1997, president of Coca-Cola East Central Europe and senior vice president of Coca-Cola International from 1991 to 1995. Between 1979 and 1991, Mr. Kent assumed various positions within Coca-Cola International, including marketing coordinator for the Balkans and Southwest Europe, director of sales for international accounts Europe, and general manager for Turkey and Central Asia.

Hurşit Zorlu

Member

• 20 years experience at EBG
• CFO of EBG for the last 3 years
• Former head of Business Development

Mr. Zorlu, 45, joined EBG in 1984, and currently serves as a member of EBI's Board of Management. He is the Chief Financial Officer and Investor Relations Director of EBG as well as a member of the board of directors of various EBG companies, including Efes Invest, Interbrew Efes Brewery, Efes Moldova and Coca-Cola bottling companies operating in Azerbaijan and the Kyrgyz Republic, Anadolu Efes Technical and Management Consultancy N.V ("AET") and Efes Holland Technical Management Consultancy B.V. ("Efes Holland").

Demir Şarman

Member

• Joined EBI during incorporation in 1997
• CFO of EBI and head of Finance Division since joining
• Prior senior auditor at Arthur Andersen, Turkey, qualified as a Turkish CPA

Mr. Şarman, 35, joined EBG in 1997, and currently serves as a member of the Board of Management and Chief Financial Officer of EBI. Mr. Şarman is also a member of the Board of Directors of Efes Kazakhstan, Efes Russia, Efes Moldova, Efes Weifert, Efes Zajecar, AET and Efes Holland. Prior to joining EBG, Mr. Şarman served as a senior auditor for Arthur Andersen in Turkey.

Gerard Jan van Spall

Member

• Joined EBI board of Management in 2003
• Supporting EBI as a senior legal expert of MeesPierson

Mr. Van Spall, 37, joined EBI in 2003 and currently serves as a member of the Board of Management of EBI. Mr. Van Spall is also a team leader of the Far and Middle East Team of MeesPierson Intertrust B.V. Mr. Van Spall is a qualified attorney at law in the U.S. and has previously worked at MeesPierson Trust, Curaçao, and Van Giffen Advocaten.

Semih Maviş

Member
(effective June 1st 2005)

• Joined EBG in 1984
• Former GM of Efes Russia
• CEO of EBI effective as of June 1st, 2005

Mr. Maviş, 55, joined EBG in 1984, and has served as general manager of Efes Russia since 1999. Previously, he was general manager of Ege Biracılık and Güney Biracılık, as well as marketing coordinator and export coordinator of EBG. Mr. Semih Maviş 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.

For detailed further information about Board of Management and its functions please refer to "Board of Management" section (pg: 39)

Supervisory Board

Mr. Tuncay Özilhan

Chairman

• CEO of Anadolu Group for the last 20 years

Mr. Özilhan, 57, is CEO of Anadolu Group, and also serves as chairman of the boards of directors of various other Anadolu Group companies, including CCI, Alternatifbank A.Ş. ("Alternatifbank"), and Anadolu Isuzu Otomotiv Sanayii ve Ticaret A.Ş. ("Anadolu Isuzu"), and is a member of the Board of Directors of Anadolu Efes. Mr. Özilhan also served as chairman of the board of directors of the Turkish Industrialists' and Businessmen's Association ("TUSIAD") from 2001 to 2003. Mr. Özilhan was appointed as a member of the Supervisory Board on 27 May 2003. He is appointed for a term of four years.

Sir David Logan

Member

• Former British Ambassador to Turkey

Sir Logan, 61, joined EBI in 2004. Prior to joining EBI, Sir Logan was Director of the Centre for Studies in Security and Diplomacy at Birmingham University, where he is an Honorary Professor in the School of Social Sciences. Sir Logan was British Ambassador to Turkey between 1997 and 2001 and served as Second Secretary at the British Embassy in Ankara between 1965 and 1969. Sir Logan worked as a Minister at the British Embassy in Washington between 1995 and 1997, as Assistant Under Secretary of State for Defence Policy between 1994 and 1995 and as Assistant Under Secretary of State for Central and Eastern European Affairs between 1992 and 1994. Between 1989 and 1992, Sir Logan was a Minister at the British Embassy in Moscow and worked in the British Diplomatic Service in East-West relations between 1982 and 1989. Between 1969 and 1982 Sir Logan was Deputy Head of the Defence Department at the Foreign and Commonwealth Office. Sir Logan was appointed as a member of the Supervisory Board on [ ] 2004. He is appointed for a term of four years.

Mr. İbrahim Yazıcı

Member

• More than 20 years of experience in Anadolu Group

• Holding senior positions including memberships in the BOD of various Anadolu Group Companies

Mr. Yazıcı, 55, serves as vice chairman of the Board of Directors of Anadolu Isuzu, Çelik Motors Ticaret A.Ş. and various other Anadolu Group companies, and serves as chairman of (Efes Tur Turizm İşletmeleri A.Ş.). He is also a member of the Boards of Directors of AEH, Anadolu Efes, Yazıcılar A.Ş ("Yazıcılar"), Efes Invest and Anadolu Cetelem Tüketici Finansmanı A.Ş. ("Anadolu Cetelem"). Mr. Yazıcı was appointed as a member of the Supervisory Board on 27 May 2003. He is appointed for a term of four years.

For further information about Supervisory Board, its functions and committees please refer to "Supervisory Board" section (pg: 32)

Mr. Metin Tokpınar

Member

• Joined in 1998
• Prior GM of Türkiye Sınai Kalkınma Bankası

Mr. Tokpınar, 72, joined Anadolu Group in 1998, and currently serves as managing director and vice chairman of Alternatifbank and vice chairman of Alternatif Menkul Değerler A.Ş. ("Alternatif Invest"). Mr. Tokpınar is also a member of the Boards of Directors of Yazıcılar, AEH, Anadolu Efes, Anadolu Cetelem, Alternatif Finansal Kiralama A.Ş. ("Alternatif Leasing") and various other Anadolu Group companies. Prior to joining Anadolu Group, Mr. Tokpınar was assistant general manager of Türkiye Sınai Kalkınma Bankası A.Ş. ("TSKB") between 1974 and 1990, and general manager of TSKB between 1990 and 1998. Mr. Tokpınar was appointed as a member of the Supervisory Board on 27 May 2003. He is appointed for a term of four years.

Mr. Mustafa Uysal

Member

• Joined in 1982
• Prior Tax Auditor in the Ministry of Finance of Turkey
• CFO of Anadolu Group for the last 10 years

Mr. Uysal, 51, joined Anadolu Group in 1982, and currently serves as a member of the Board of Directors of a number of companies in Anadolu Group. He is also Chief Financial Officer of AEH, and a member of the Boards of Directors of Alternatifbank, Alternatif Invest, Alternatif Leasing and other Anadolu Group companies. Mr. Uysal was appointed as a member of the Supervisory Board on 27 May 2003. He is appointed for a term of four years.

Mr. Micheal O'Neill

Member

• Joined in 2002
• Prior President of Nordic and Northern Eurasia Division of Coca-Cola Company

Mr. O'Neill, 59, joined EBI in 2002. Mr. O'Neill also serves as a member of the Board of Directors of Efes Invest, the Council for Trade and Economic Cooperation (Russia – U.S.A.) and Joint Stock Company Wimm-Bill-Dann, where he is also a member of the investment and strategic planning committee. Until his retirement in 2000, Mr. O'Neill held various positions in The Coca-Cola Company ("TCCC") including president of the Nordic and Northern Eurasian Division, member of TCCC's European Management Board and manager of the Eurasia Region. Mr. O'Neill was a member of the Irish foreign trade service, occupying a number of senior positions until 1989 when he joined TCCC. Currently Mr. O'Neill is also a consultant to TCCC. Mr. O'Neill was appointed as a member of the Supervisory Board on 27 May 2003. He is appointed for a term of four years.

Commitees and Committee Members

Audit Committee
Mr. Metin Tokpınar, Chairman
Mr. Mustafa Uysal, Member

Remuneration Committee
Sir David Logan, Chairman
Tuncay Özilhan, Member
Micheal O'Neill, Member

Selection and Appointment Committee
Mr. Tuncay Özilhan, Chairman
Mr. İbrahim Yazıcı, Member

For further information about Supervisory Board, its functions and committees please refer to "Supervisory Board" section (pg: 32)

Organization Structure

Efes Breweries International N.V.

- **Semih Maviş** – CEO
  - **EBG Support**
    - Marketing
    - Human Resources
    - Technical & Logistics
  - **Demir Şarman** – CFO
  - **GM Russia** – Tuğrul Ağırbaş
  - **Osman Mut** – General Director Developing Beer Operations
    - **GM Kazakhstan** – Osman Çağlayan
    - **GM Moldova** – Iakov Tichman
    - **Romania** – J.V.
    - **GM Serbia & Montenegro** – Patrice Dierick


Белый
Медведь
крепкое пиво

"On top of every table in Kazakhstan"

OPERATIONS

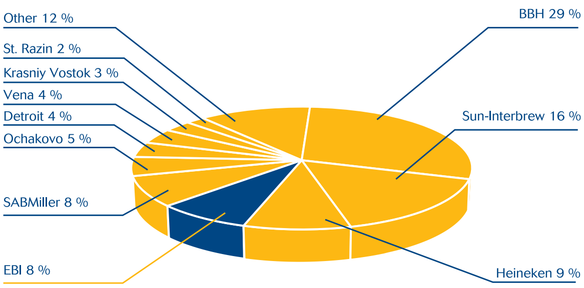
Russia

The Russian market is the world's 5th largest beer market with around 81 million hectoliters of total beer consumption as of 2004. With a compounded average growth rate (CAGR) of 13.3% between 1999 and 2004, the Russian beer market generated the fastest growth rate among European beer markets. However, low per capita beer consumption level of 58 liters, which is below the Western Europe average, and improving economic conditions points out to potential growth in the coming years. With a population of approximately 141 milion, Russia is among the most attractive beer markets in the world, and is expected to grow at a CAGR of approximately 4.8% in the period from 2004 to 2009.

Efes Russia is the largest operation of EBI and has a market share by value of 7.9% in Russia for 2004. Efes Russia operates with three breweries in each of Moscow (Moscow Brewery), Rostov (Rostov Brewery), and Ufa (Ufa Brewery), currently an aggregate capacity of 6.7 per annum and an aggregate sales volume in 2004 of 5.1 million hectoliters. The annual capacity is 4.5 million hectoliters at the Moscow Brewery, 1.0 million hectoliters at the Rostov Brewery and 1.2 million hectoliters at the Ufa Brewery. The malt factory in Moscow which is adjacent to our Moscow Brewery with a production capacity of 46,000 tons per annum, provides us with a distinct competitive advantage in the market by providing the main ingredient of beer.

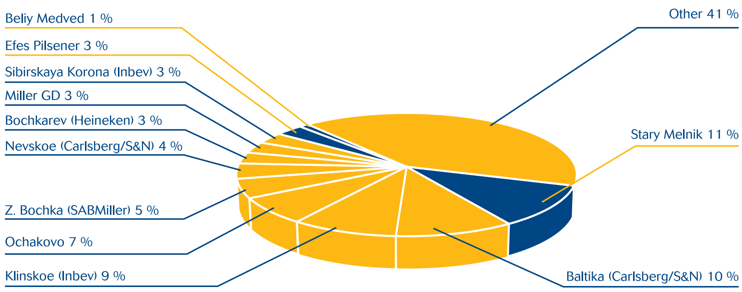
Currently, the brand portfolio of Efes Russia includes six different beer brands. The brands are "Efes Pilsener", "Warsteiner Premium Verum" and "Zlatopramen" in the licensed segment, "Stary Melnik" and "Sokol" in the local premium segment and "Beliy Medved" in the mid-priced segment. Stary Melnik is the leading brand in the Moscow beer market with a market share of 11.1% by value and the fourth brand in the Russian beer market in terms of market share by value with 4.4% for 2004. Efes Pilsener is also among top brands in the licensed segment of the Russian beer market.

Market Share by Value (%)
Russia



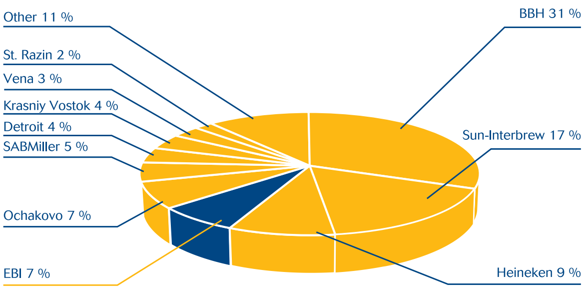
Source: AC Nielsen YTD December 2004.

Brand Market Share by Value (%)
Moscow



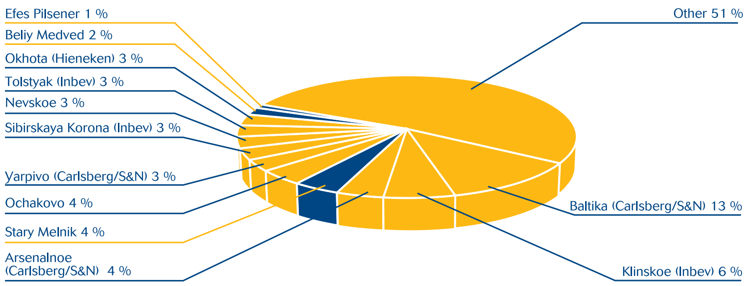
Source: AC Nielsen YTD December 2004.

Market Share by Volume (%)
Russia



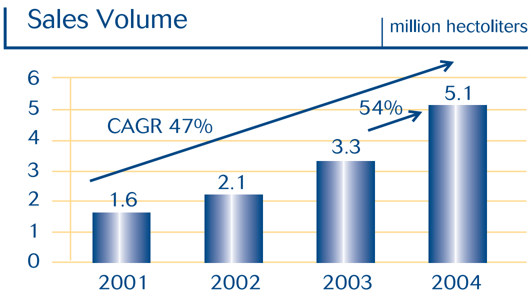
Source: AC Nielsen YTD December 2004.

Brand Market Share by Value (%)
Russia



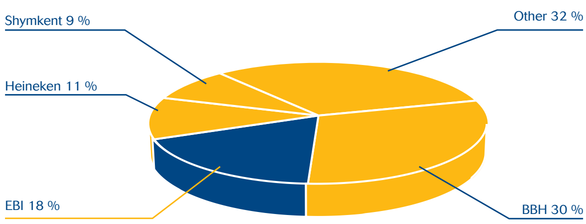
Source: AC Nielsen YTD December 2004.

Sales volume development

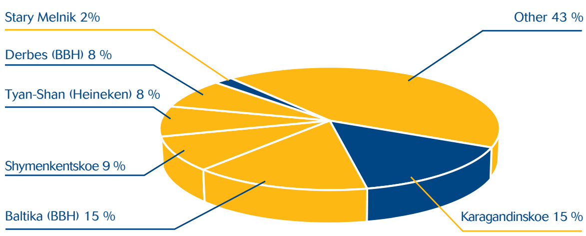


Kazakhstan

Market Share by Volume (%)
Kazakhstan

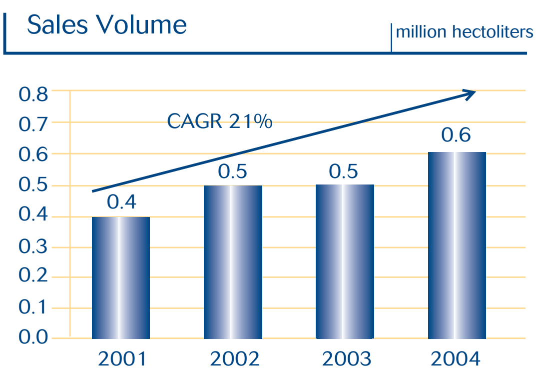


Brand Market Share by Volume (%)
Kazakhstan



Source: AC Nielsen YTD December 2004.

Sales volume development



The Kazakh beer industry has grown considerably between 1999 and 2004, from approximately 1.4 million hectoliters in 1999 to 2.9 million hectoliters in 2004, constituting a CAGR of approximately 20.2%. In spite of the strong historical increase in beer consumption, estimated per capita beer consumption of 20 liters remains low when compared to European countries. With a population of approximately 15.9 million, Kazakhstan is an attractive beer market, and is expected to grow at a CAGR of approximately 8.7% in the period from 2004 to 2009.

Efes Kazakhstan ranks second in Kazakhstan with a market share of 18.0% by volume and its Karagandinskoe brand is the leading brand in the Kazakh beer market with a market share of 15.4% by volume for 2004. Efes Kazakhstan operates with two breweries in Almaty ("Almaty Brewery") and Karaganda ("Karaganda Brewery"), with an aggregate capacity of 1.0 million hectoliters per year and sales volume of 0.6 million hectoliters for 2004. The annual capacity is 0.6 million hectoliters at the Almaty Brewery and 0.4 million hectoliters at the Karaganda Brewery. Efes Kazakhstan also operates an in-house maltery in Karaganda with an annual production capacity of 6,500 tones.

Efes Kazakhstan currently produces and sells three brands appealing to different market segments: "Karagandinskoe" is sold as a mid-priced local brand, Stary Melnik is sold as a local premium brand and Efes Pilsener is sold as a super premium brand.

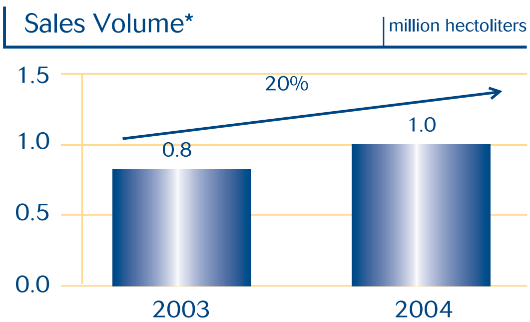
Moldova

The Moldovan beer industry has significantly grown in size between 1999 and 2004, from 0.2 million hectoliters in 1999 to 0.8 million hectoliters in 2004, constituting a CAGR of 28.7%. Per capita beer consumption of approximately 19 liters remains low when compared to European countries. The Moldovan beer market is expected to grow at a CAGR of 8.2% in the period from 2004 to 2009.

Efes Moldova is the largest brewer in the country, with a market share of 74.8% for 2004. Efes Moldova has a brewery in Chisinau, capital of Moldova, with a brewing capacity of 0.8 million hectoliters per annum and soft drink bottling capacity of 0.4 million hectoliters and total sales volume of 1.0 million hectoliters in 2004.

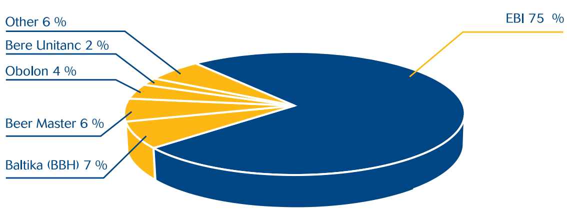
Efes Moldova currently produces and sells five brands of beer appealing to different market segments: “Chisinau” is sold as an economy brand, “Arc” is sold as a mid-priced local brand, “Vitanta” is sold as a local premium brand, and “Efes Pilsener” and “Stary Melnik” are sold as import brands. Efes Moldova also produces and markets carbonated soft drinks (”CSD”), bottled water and ready-to-drink products. Efes Moldova’s carbonated soft drink brand “Viva” is currently the leader of the Moldovan CSD market, with a market share of 47.6% for 2004. Efes Moldova’s three ready to drink products are the only products of that type sold in Moldova. In addition to beer, CSD and ready-to-drink products, Efes Moldova produces and markets its “Real” brand of bottled water in Moldova.

Sales volume development



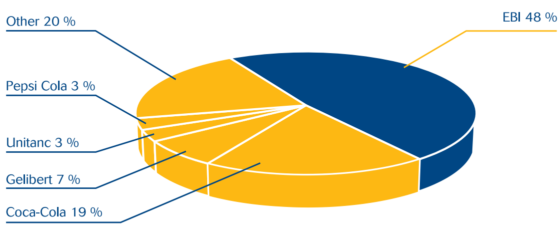
* Includes both beer and soft drinks

Market Share by Volume (%)
Moldova - Beer Market



Source: MEMRB YTD December 2004.

Market Share by Volume (%)
Moldova - CSD Market



Source: MEMRB YTD December 2004.

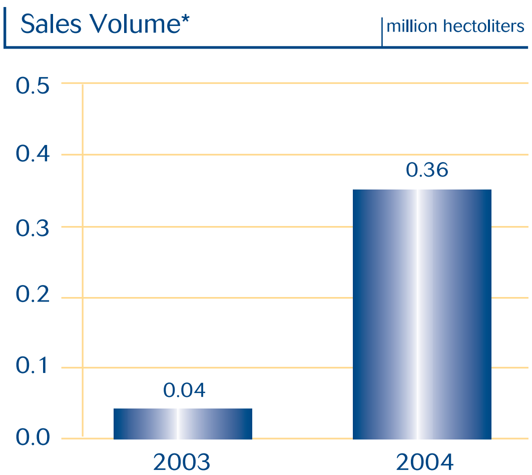
Serbia & Montenegro

The Serbian beer market has contracted between 1999 and 2004, from 6.1 million hectoliters in 1999 to 5.2 million hectoliters in 2004, constituting a negative CAGR of 3.2%. Per capita consumption of 50 liters is below the Western European average. However, with the entry of international brewers, the market is expected to grow going forward.

EBI operates a brewery located in Pancevo in the outskirts of Belgrade, which was acquired in August 2003, with an annual capacity of approximately 0.4 million hectoliters per annum. Efes Pancevo delivered 110% like-for-like basis organic growth in 2004. In addition, EBI acquired a second brewery in Zajecar, with an annual capacity of 1.0 million hectoliters in September 2004. Following the acquisition of the Zajecar brewery in Serbia, EBI's total capacity reached 1.4 million hectoliters and its share in the beer market increased to 9.8% for 2004, becoming the third largest brewer in Serbia-Montenegro with a total sales volume of 0.4 million hectoliters.

Currently our brand portfolio includes five brands. The brands are "Weifert" and "Pils Plus", which are positioned in the mainstream segment, "Standard" and "Zajecarsko" which are positioned in the economy segment, and Efes Pilsener, which is positioned in the premium & import segment.

Sales volume development

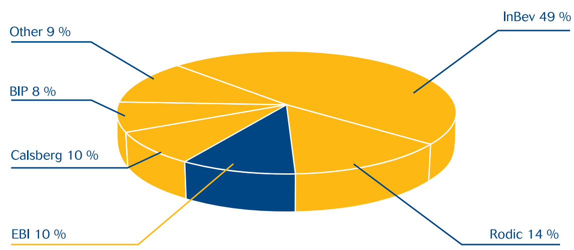


* 2003 sales volume includes four months figures of Efes Weifert for the period September - December 2003

* 2004 sales volume includes full year figure of Efes Weifert and three months period figure of Efes Zajecar for the period October - December 2004

Market Share by Volume (%)

Serbia - Montenegro



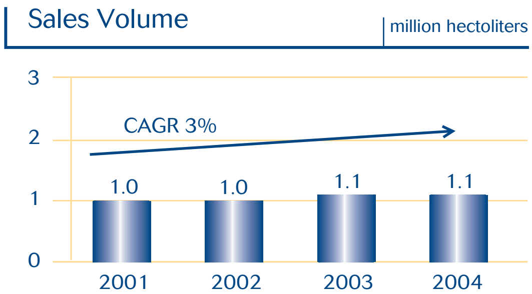
Source: Business association of Serbia & Montenegro Brewers and Malt Producers, YTD December 2004.

Romania

The Romanian beer market has an established beer drinking culture with a per capita consumption of 61 liters for 2004. The market size is 13.5 million hectoliters, and has grown at a CAGR of 4.2% between 1999 and 2004. The Romanian beer market is expected to grow at a CAGR of approximately 3.4% in the period from 2004 to 2009.

Interbrew Efes Brewery, a 50:50 joint venture between EBI and InBev, supplies approximately 8.0% of the Romanian beer output. Interbrew Efes Brewery operates a brewery in Ploiesti, 60 km from the capital Bucharest, with a total capacity of approximately 1.5 million hectoliters per annum and sales volume of 1.1 million hectoliters in 2004.

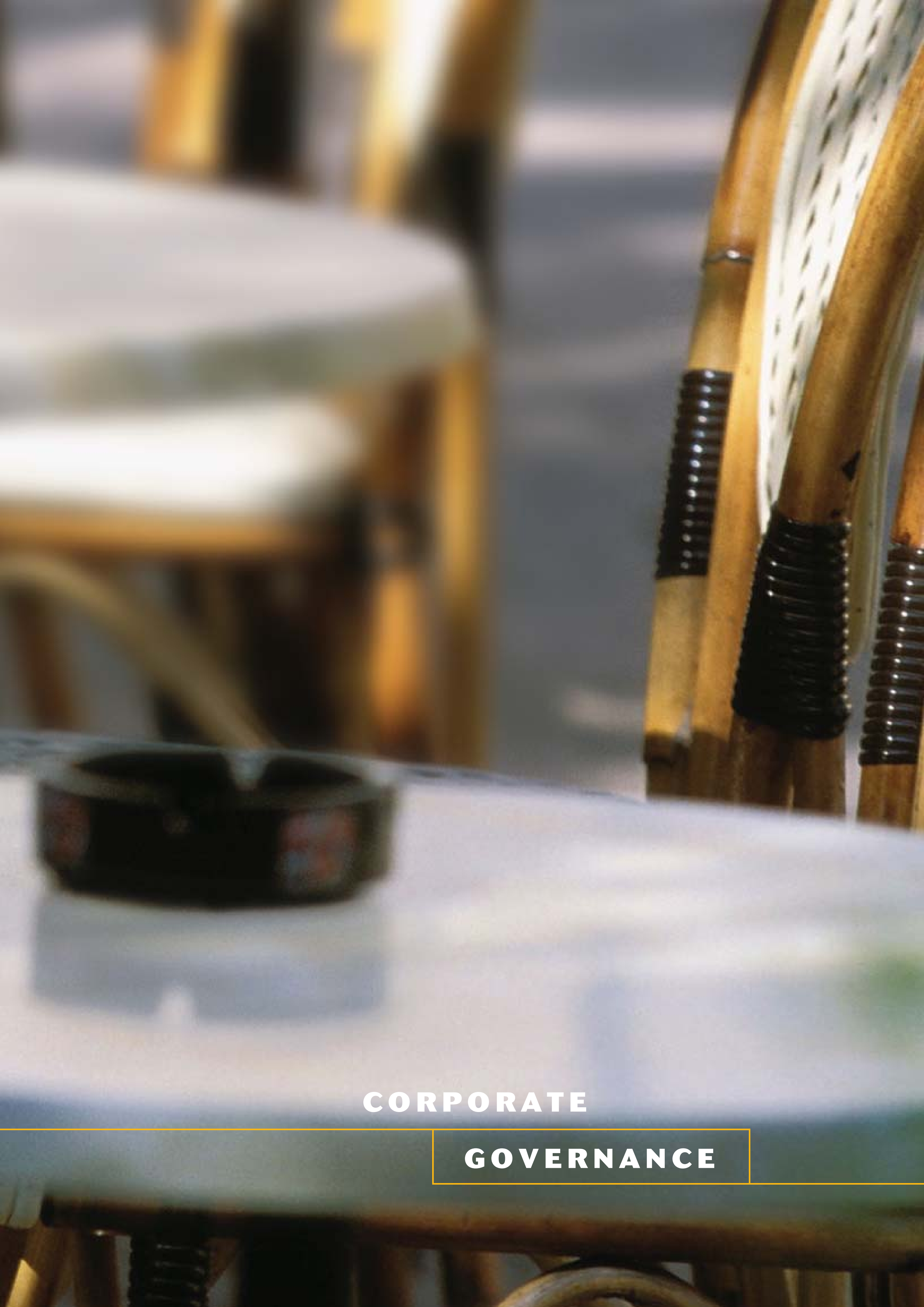
Sales volume development



Currently, Interbrew Efes Brewery produces “Efes Pilsener” brand in the premium beer segment, and our local brand “Caraiman” in the mid-price segment. In addition to these two brands, Interbrew Efes Brewery is engaged in the production of InBev brands, which include Stella Artois, Beck’s, Hopfen König, Bergenbier and Noroc.

Interbrew Efes Brewery in which EBI holds 50% stake is accounted for by using proportionate consolidation in the financial results.

"On top of every table in Moldova"



CORPORATE GOVERNANCE

Corporate Governance

Corporate Governance in the Netherlands

On 9 December 2003 the Corporate Governance Committee under supervision of Mr. M. Tabaksblat published the Dutch Corporate Governance Code (the "Code"). It was drawn up on request of the Dutch Stock Exchange Euronext Amsterdam in cooperation with management representatives, shareholder representatives and employee representatives of the Dutch business community. The Code is based on the principle accepted in the Netherlands that a company is a long-term form of collaboration between the various parties involved. The Code has as starting points that good entrepreneurship, including integrity and transparency of decision-making by the management board, and proper supervision thereof, including accountability for such supervision, are two pillars on which good corporate governance rests. The Code is in force as of 1 January 2004 and applies to all companies whose registered office is in the Netherlands and whose shares or depositary receipts for shares are officially listed on a government-recognized stock exchange.

The Code contains both the principles and concrete provisions of these principles which the persons involved in a company (including management board members and supervisory board members) and stakeholders (including institutional investors) should observe in relation to one another. These provisions create a set of standards governing the conduct of management board and supervisory board members and shareholders. Non-compliance with the Code is not in itself objectionable and may even be justified in certain circumstances subject to provision of satisfactory disclosure. As unconditional freedom is not desired though, companies subject to the Code have to explain if they do not comply with certain provisions. The legal basis for this rule can be found in a law stipulating that the annual report needs to be drafted in accordance with the Code, in other words, non-compliance explanations need to be inserted in the annual report.

Corporate Governance and EBI

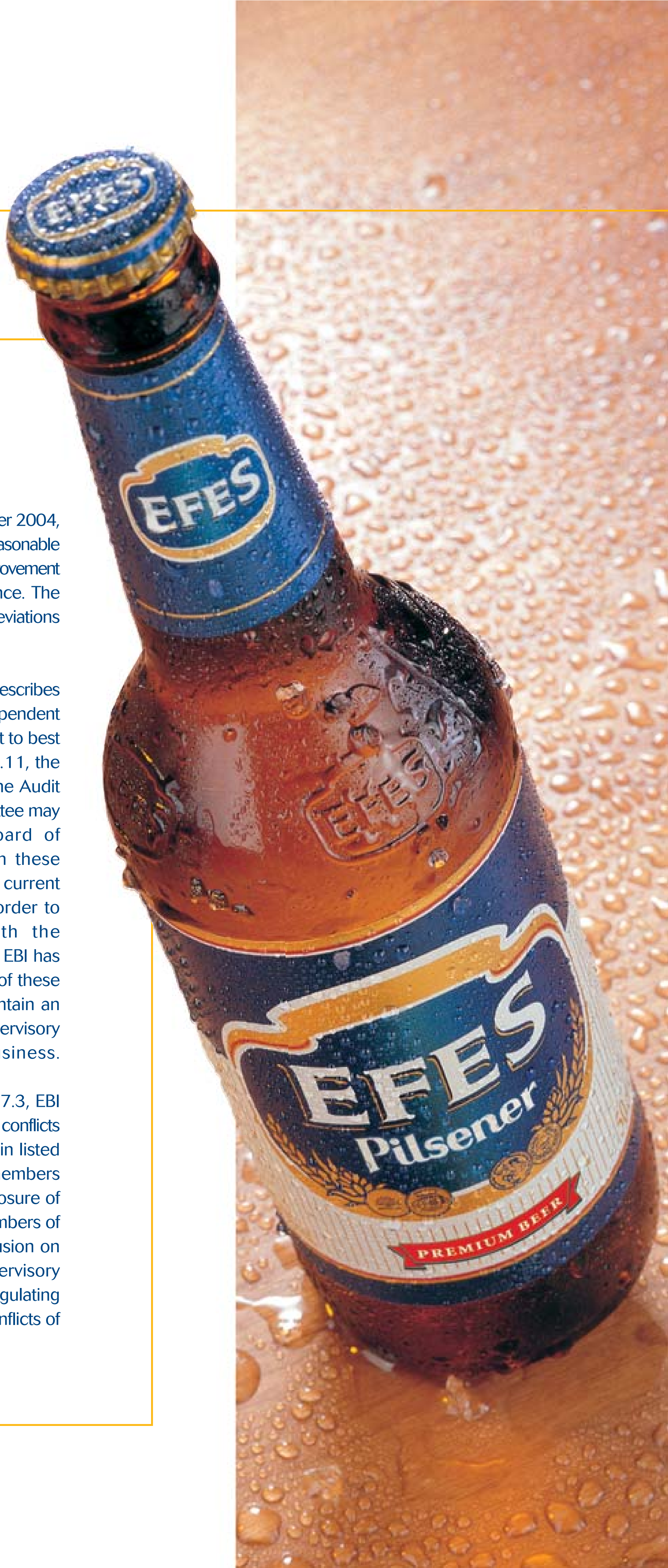
As of listing on 21 October 2004, EBI became subject to the Code. Though global depositary receipts representing shares in the capital of EBI were listed in the London Stock Exchange, EBI is subject to the Dutch Code in line with the applicability principle of the Dutch Code. EBI acknowledges the importance of good corporate governance and has implemented most of the best practice provisions of the Code in its corporate governance structure. In line with the Code, the Supervisory Board appointed from its members a Remuneration Committee, an Audit Committee and a Selection and Appointment Committee. Each of these committees is subject to charters for their internal regulation and optimal compliance with the Code. The Remuneration Committee has already held several meetings; the Audit Committee and Selection and Appointment Committee have met once in 2004. For further information about the committees, please see the paragraph "Committees" in the Supervisory Board chapter. In addition, the arrangement for whistleblowers and important announcements can be found on EBI's website at www.efesholland.nl. EBI adopted charters for both the Board of Management and the Supervisory Board. These charters deal among others with rules for transactions that can be qualified as transactions with conflicting interests, as defined in the Dutch Corporate Governance Code, for members of the Board of Management and members of the Supervisory Board respectively. No such transactions were entered into in 2004. EBI itself entered into only one related party transaction as mentioned in clause III.6.4 of the Code, but this transaction was agreed on an arm's length basis.

Compliance of EBI with the Code

EBI, which is subject to the Code as of October 2004, aims to fully comply with the Code within a reasonable period of time. There are potential areas for improvement as well as there exist some non-compliance. The following is a description of the material deviations from the provisions of the Code.

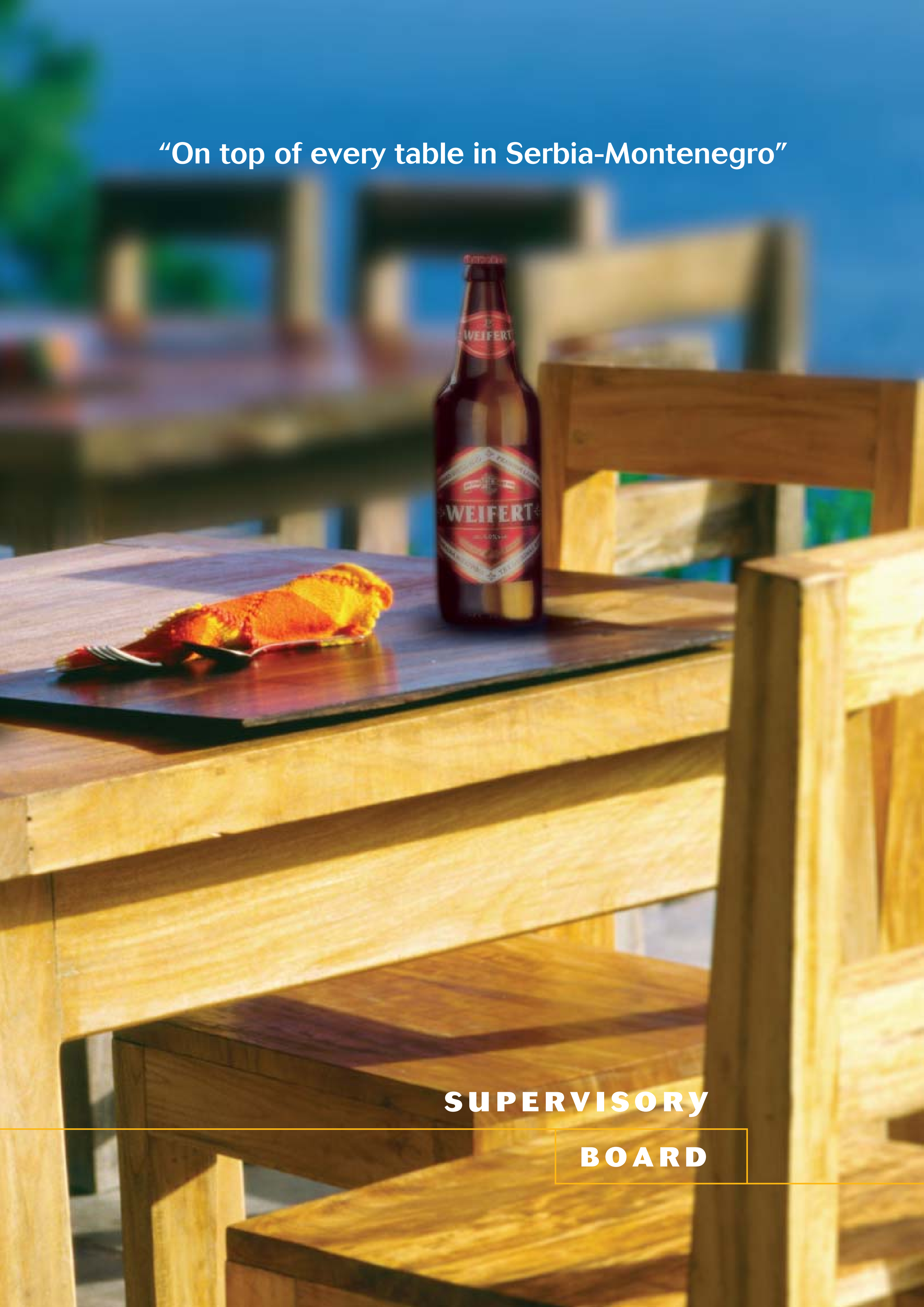
Best practice provision III.2.1 of the Code prescribes that the Supervisory Board consists of independent persons, except for one member. Pursuant to best practice provisions III.4.2, III.5.6 and III.5.11, the chairpersons of the Supervisory Board, the Audit Committee and the Remuneration Committee may not be former members of the Board of Management. In order to comply with these provisions, EBI will gradually replace its current members of the Supervisory Board in order to achieve compliance by 2006 with the aforementioned best practice provisions. EBI has decided on the gradual implementation of these best practice provisions in order to maintain an adequate number of persons on the Supervisory Board with knowledge of EBI's business.

With regard to best practice provision III.7.3, EBI acknowledges the importance of preventing conflicts of interests that shareholdings of shares in listed companies held by Supervisory Board members may cause. However, EBI considers disclosure of all shares held in listed companies by members of the Supervisory Board is a too large intrusion on the privacy of the members of the Supervisory Board. EBI has drawn up internal rules regulating such shareholdings in order to prevent conflicts of interest.




WEIFERT
WEIFERT

“On top of every table in Serbia-Montenegro”



SUPERVISORY BOARD

Report of The Supervisory Board

Functioning and strategy of the Supervisory Board

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

The Supervisory Board currently consists of the following six members:

Mr. Tuncay Özilhan, Chairman

Sir David Logan

Mr. İbrahim Yazıcı

Mr. Metin Tokpınar

Mr. Mustafa Uysal

Mr. Micheal O'Neill

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

New Appointments

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

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

Independence of Supervisory Board members

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

Meetings

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

Evaluation of the functioning of Supervisory Board

Topics of the meetings of the Supervisory Board included, but not limited to:
- EBI's general strategy;
- EBI's financial performance;
- The performance and internal division of tasks of the Board of Management;
- Discussion of business development projects as well as new investments and acquisitions; and
- The Supervisory Board's own performance.

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

Committees

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

Audit Committee

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

Selection and Appointment Committee

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

Remuneration Committee

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

Remuneration policy of EBI

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

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

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

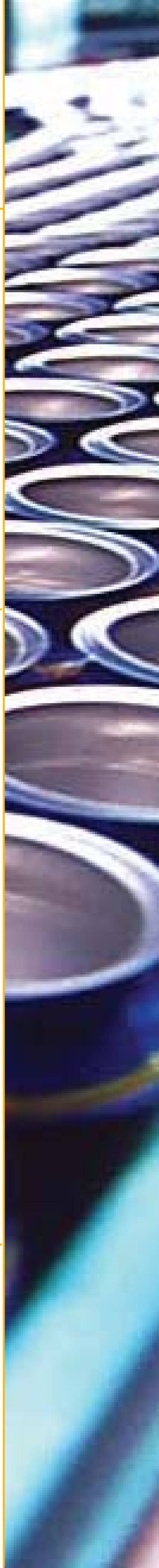
It is the policy of EBI to remunerate the members of the Board of Management with due regard to the interests of the shareholders and the performance of the Company. The policy aims to ensure the competitiveness of the remuneration provided as well as long term value creation for EBI.

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

The Articles of Association

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

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




VITANTA
Premium
VITANTA
Premium
15%
FABRICAT ÎN MOLDOVA

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 Mangement 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.

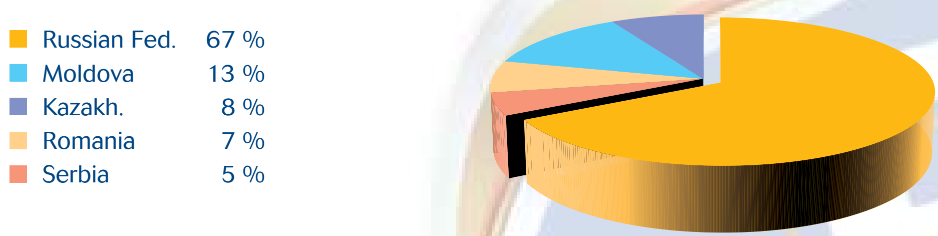
The Board of Management visited EBI's subsidiaries frequently in 2004. Another important occupation in 2004 was the initial public offering of EBI on the London Stock Exchange. The Board of Management was in close contact with the investment bankers, analysts, external lawyers and investors from the 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

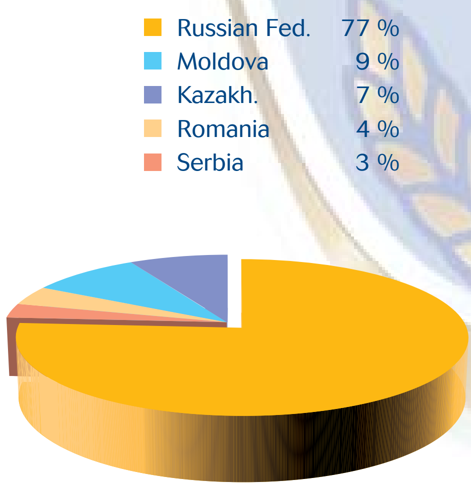
In 2004, EBI's consolidated sales volume increased to 7.6 million hectolitres representing an increase of 44% from 5.3 million hectolitres in 2003. The Russian Federation continues to be one of the fastest growing beer markets in the world and EBI significantly outperformed the Russian beer market in 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.



Sales Volume

Net Revenue



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 Beliy 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.

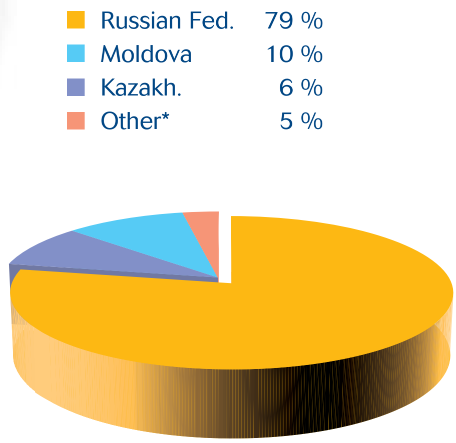
Acquisitions and Capex

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 €/Euro18.5 million value for 100% of Zajecar shares, EBI paid [approximately €/Euro12 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 [9.8]%, 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



*; 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 "Chisinau" 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.

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 disposible income and per capita consumption. In addition, disposible 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.

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 macroeceonimic conditions of the countires in these territories, the level of average disposible 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 came 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.

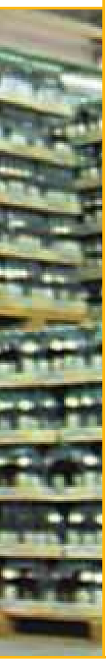
As a part of regulation of the beer industry, the beer sales in the territories are subject to taxation and government surcharges that include excise and value-added taxes, which from time to time changes. Changes in such taxes may have an impact on the beer markets in the territories and the operations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

Consolidated Financial Statements Together With Independent Auditors' Report December 31, 2004

Efes Breweries International N.V. and its Subsidiaries

Table of Contents

Independent Auditors' Report

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

INDEPENDENT AUDITORS' REPORT

Introduction

We have audited the consolidated financial statements of Efes Breweries International N.V., Amsterdam, the Netherlands, for the year ended December 31, 2004 which comprise the balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and the related notes 1 to 29. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Scope

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the company as at December 31, 2004 and of the result of its operations and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

Amsterdam, March 29, 2005

Ernst & Young

Ernst & Young Accountants

Consolidated Balance Sheet

As at December 31, 2004
(Currency - Thousands of U.S. Dollars unless otherwise indicated)

ASSETS

	Notes	**2004**	2003
Current assets			
Cash and cash equivalents	4	**134,668**	32,677
Trade and other receivables	5	**28,366**	17,700
Due from related parties	28	**3,384**	4,616
Inventories	6	**47,999**	37,798
Prepayments and other current assets	7	**19,613**	15,351
Total current assets		**234,030**	108,142
Non-current assets			
Investments in securities	10	**1,756**	1,754
Property, plant and equipment	8	**315,910**	267,639
Intangible assets	9	**69,164**	65,266
Deferred tax assets	23	**5,765**	3,361
Prepayments and other non-current assets		**3,816**	2,442
Total non-current assets		**396,411**	340,462
Total assets		**630,441**	448,604

The accompanying policies and explanatory notes on pages 57 through 86 form an integral part of these financial statements.

LIABILITIES AND EQUITY

	Notes	2004	2003
Current liabilities			
Trade and other payables	11	**44,483**	30,890
Due to related parties	28	**13,478**	13,751
Income tax payable		**567**	491
Short-term borrowings	12	**30,154**	32,769
Current portion of long-term borrowings	12	**19,284**	12,960
Total current liabilities		**107,966**	90,861
Non-current liabilities			
Long-term borrowings-net of current portion	12	**53,471**	71,534
Deferred tax liability	23	**12,900**	12,087
Other non-current liabilities		**1,596**	1,277
Total non-current liabilities		**67,967**	84,898
Minority interest		**73,144**	53,781
Equity			
Issued capital	13	**156,921**	124,630
Share premium	13	**101,626**	21,567
Currency translation reserve		**30,886**	16,537
Legal reserves and accumulated profit/(deficit)		**91,931**	56,330
Total equity		**381,364**	219,064
Total liabilities and equity		**630,441**	448,604

The accompanying policies and explanatory notes on pages 57 through 86 form an integral part of these financial statements.

Consolidated Income Statement

For the year ended December 31, 2004

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

	Notes	2004	2003
Sales		**398,531**	264,119
Cost of sales	15	**(207,018)**	(136,322)
Gross profit		**191,513**	127,797
Selling and marketing expenses	16	**(88,292)**	(59,052)
General and administrative expenses	17	**(44,832)**	(32,880)
Profit from operations		**58,389**	35,865
Financial income/(expense)	20	**1,852**	(1,268)
Other (expense)/income	21	**(4,113)**	29,342
Profit before tax		**56,128**	63,939
Income tax	22	**(13,615)**	(8,150)
Profit after tax		**42,513**	55,789
Minority interest		**(6,912)**	(2,663)
Net profit		**35,601**	53,126
Earnings per share (in full U.S. Dollars)			
Basic	14	**0.28**	0.44
Diluted	14	**0.28**	0.44

The accompanying policies and explanatory notes on pages 57 through 86 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2004

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

	Share Capital	Share Premium	Currency Translation Reserve	Legal Reserves and Accumulated Profit (Deficit)	Total
Balance at January 1, 2003	121,641	18,671	8,581	3,204	152,097
Issue of share capital (Note 13)	2,989	2,896	-	-	5,885
Currency translation reserve	-	-	9,486	-	9,486
Recognition of currency translation due to dilution at Efes Moscow (Note 3, 21)	-	-	(1,530)	-	(1,530)
Net profit for the year	-	-	-	53,126	53,126
At December 31, 2003	124,630	21,567	16,537	56,330	219,064
Issue of share capital (Note 13)	**32,291**	**80,059**	**-**	**-**	**112,350**
Currency translation reserve	**-**	**-**	**14,349**	**-**	**14,349**
Net profit for the year	**-**	**-**	**-**	**35,601**	**35,601**
At December 31, 2004	**156,921**	**101,626**	**30,886**	**91,931**	**381,364**

The accompanying policies and explanatory notes on pages 57 through 86 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2004

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

	2004	2003
Cash flows from operating activities		
Profit before tax	**56,128**	63,939
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on dilution	**(470)**	-
Gain on sale of subsidiaries and investment in securities	-	(25,265)
Recognition of currency translation due to dilution at Efes Moscow	-	(1,530)
Depreciation and amortisation	**36,185**	24,051
Provision for bad debt	**287**	439
Provision for inventories	**1,585**	1,185
Income recognised from reversal of provision for bad debt	**(106)**	(82)
Income recognised from reversal of provision for inventories	**(35)**	(224)
Impairment in property, plant and equipment	**5,025**	-
Reserve for vacation pay liability	**839**	102
Provision for other assets	**722**	46
Foreign exchange loss raised on loans	**1,362**	1,379
Loss from disposal of property, plant and equipment	**376**	421
Interest income	**(698)**	(208)
Interest expense	**5,937**	5,161
Net income adjusted for non-cash items	**107,137**	69,414
(Increase)/decrease in inventories	**(8,983)**	(14,674)
(Increase)/decrease in trade receivables	**(9,691)**	(3,664)
(Increase)/decrease in due from related parties	**1,232**	378
Increase/(decrease) in trade and other payables	**9,530**	2,688
Increase/(decrease) in due to related parties	**(273)**	6,358
(Increase)/decrease in other current assets	**(5,344)**	(858)
(Increase)/decrease in other non-current assets	**(1,374)**	(805)
Increase/(decrease) in other non-current liabilities	**(211)**	(392)
Taxes paid	**(14,753)**	(9,036)
Interest received	**839**	317
Interest paid	**(6,708)**	(5,523)
Net cash provided by operating activities	**71,401**	44,203
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	**(52,235)**	(43,066)
Proceeds from sale of property, plant and equipment	**901**	1,099
Proceeds from the sale of investment in securities	-	1,938
Acquisition of subsidiary, net of cash acquired	**(15,688)**	(45,302)
Capital increases of subsidiaries from minority shareholders	**4,826**	2,258
Dividends paid to minority shareholders	**(904)**	-
Net cash used in investing activities	**(63,100)**	(83,073)
Cash flows from financing activities		
Net decrease in short-term debt	**(3,461)**	1,584
Proceeds from long-term debt	**379**	47,230
Repayment of long-term debt	**(12,500)**	(18,503)
Proceeds from issuance of share capital	**32,291**	2,989
Increase in share premium	**80,059**	2,896
Net cash provided by financing activities	**96,768**	36,196
Currency translation differences	**(3,078)**	(3,623)
Net increase in cash and cash equivalents	**101,991**	(6,297)
Cash and cash equivalents at beginning of year	**32,677**	38,974
Cash and cash equivalents at end of year	**134,668**	32,677

The accompanying policies and explanatory notes on pages 57 through 86 form an integral part of these financial statements.

Notes to Consolidated Financial Statements

For the year ended December 31, 2004
(Currency - Thousands of U.S. Dollars unless otherwise indicated)

1. General

Efes Breweries International N.V. (the Company) was incorporated in the Netherlands on October 2, 1996. The registered office address of the Company is located at Strawinskylaan 633, 1077XX Amsterdam, the Netherlands.

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

The parent of the Company is Anadolu Efes Biracılık ve Malt Sanayii Anonim Şirketi (Anadolu Efes-the Parent Company). Anadolu Efes is a Turkish Corporation, which was established in Istanbul in 1966. The operations of Anadolu Efes consist of production of beer and its raw materials. Certain shares of Anadolu Efes are listed on the Istanbul Stock Exchange.

Nature of Activities of the Company/Group

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

For the purpose of the 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, 2004 and December 31, 2003 were as follows:

	Place of Incorporation	Principal Activities	Effective Shareholding and Voting rights %	
			December 31, 2004	December 31, 2003
ZAO Moscow-Efes Brewery (Efes Moscow)	Russia	Production and marketing of beer	**71.00**	71.00
OAO Amstar (Amstar) (*) (***)	Russia	Production of beer	**71.00**	71.00
ZAO Efes Entertainment (Efes Entertainment) (*)	Russia	Entertainment	**60.35**	60.35
CJSC Efes Karaganda Brewery (Efes Karaganda)	Kazakhstan	Production and marketing of beer	**100.00**	100.00
Interbrew Efes Brewery S.A (Interbrew Efes) (**)	Romania	Production of beer	**49.99**	49.99
Efes Ukraine Brewery (Efes Ukraine) (***)	Ukraine	Production and marketing of beer	**58.91**	51.00
Efes Vitanta Moldova Brewery S.A. (Efes Vitanta) (***)	Moldova	Production and marketing of beer, soft drinks, low alcoholic drinks and mineral water	**96.50**	96.50
Efes Weifert Brewery d.o.o (Efes Weifert) (***)	Serbia & Montenegro (Serbia)	Production and marketing of beer	**62.85**	62.85
Efes Zajecar Brewery d.o.o (Efes Zajecar) (***)	Serbia	Production and marketing of beer	**64.40**	-
Efes Commerce d.o.o Belgrade (Efes Commerce) (***)	Serbia	Production and marketing of beverages	**100.00**	100.00
Efes Romania Industrie Si Comert S.A. (ERIC)	Romania	Distribution of Beer	**99.996**	99.996
Efes Productie S.R.L. (Efes Productie)	Romania	Distribution of Beer	**69.70**	69.70
Euro-Asian Brauerein Holding GmbH (Euro Asian)	Germany	Investment Company	**100.00**	100.00

(*) Subsidiaries of Efes Moscow, which are consolidated under its financial statements.

(**) Together with 0.01% shares owned by Anadolu Efes, the Company's ultimate shareholder, the Company controls 50% of Interbrew Efes.

(***) Refer to Note 3 for detailed information.

Environments and Economic Conditions of Subsidiaries

The countries in which the consolidated subsidiaries are operating, have undergone substantial, political and economical changes in the recent years. Accordingly such markets do not possess well-developed business infrastructures and the operations in such countries might carry risks, which are not typically associated with those in more developed markets. Uncertainties regarding the political, legal, tax and / or regulatory environment, including the potential for adverse changes in any of these factors, could significantly affect the subsidiaries' ability to operate commercially.

2. Summary of Significant Accounting Policies

General

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards and Standing Interpretations Committee (SIC) interpretations approved by the IASC that remain in effect. The consolidated financial statements have been prepared based on the historical cost convention.

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 in U.S. Dollars with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. 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.

Measurement Currency, Reporting Currency and Translation Methodology

The Company is domiciled in the Netherlands. The group 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.

Accordingly, the USD was determined to be the Company's measurement currency which reflects the economic substance of the underlying events and circumstances relevant to the Company.

Measurement Currencies of the Subsidiaries:

		December 31, 2004	December 31, 2003
	Local Currency	**Measurement Currency**	Measurement Currency
Efes Moscow	RUR	RUR	RUR
Amstar	RUR	RUR	RUR
Efes Entertainment	RUR	RUR	RUR
Efes Karaganda	KZT	KZT	KZT
Interbrew Efes	ROL	EUR	EUR
Efes Ukraine	UAH	UAH	UAH
Efes Vitanta	MDL	MDL	MDL
Efes Weifert	YUM	YUM	YUM
Efes Zajecar	YUM	YUM	-
Efes Commerce	YUM	YUM	YUM
ERIC	ROL	ROL	ROL
Efes Productie	ROL	ROL	ROL
Euro Asian	EUR	USD	USD

The assets and liabilities of foreign subsidiaries are translated 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 equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the income statement as a component of the gain or loss on disposal.

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 date of the transaction.

The majority of the foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous.

Basis of Consolidation

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 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.

The consolidated financial statements of the Group include Efes Breweries International N.V. and the companies which it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheets and income statements, respectively.

Investments in Joint Venture

Interbrew Efes is a jointly controlled entity. Interest in Interbrew Efes is recognised by including the accounts using the proportionate consolidation basis, i.e. by including in the accounts under the appropriate financial statements headings of the Company's proportion of the joint venture revenue, costs, assets and liabilities. An assessment of interests in joint ventures is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exist.

Foreign Currency Transactions

Each entity within the Group translates its foreign currency transactions and balances into its measurement currency by applying to the foreign currency amount the exchange rate between the measurement 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.

"Currency translation differences" account is used for translation differences arising on consolidation of financial statements of foreign entities. On disposal of a foreign entity, accumulated exchange differences are recognised in the income statement at the date of the transaction.

Cash and Cash Equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with the maturities of three months or less.

Trade and Other Receivables

Trade receivables, are recognised at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

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.

The Group sells their products in non-returnable bottles, returnable bottles and other containers. For returnable bottles, there is no deposit obligation of the Group. The Group accounts for bottles and other containers in inventory.

Investments in Securities

Investments classified as available-for-sale 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.

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	5-15 years
Vehicles	5-10 years
Furniture and Fixtures	3-15 years
Other tangible assets	2-14 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 net selling price and value in use. 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. Impairment losses are recognised in the income statement.

Intangible Assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of identifiable net assets of a subsidiary, associate or joint venture at the date of acquisition. Goodwill is amortised on a straight-line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated amortisation and any impairment in value.

In 2004, IASB issued IFRS 3, revised IAS 36 ‘Impairment of Assets’ and revised IAS 38 ‘Intangible Assets’ which should be applied on acquisition to the accounting for goodwill in business combinations for which the agreement date is after 31 March 2004. The previous version of IAS 38 was based on the assumption that the useful life cannot exceed twenty years from the date the asset is available for use. That presumption has been removed. The Standards require goodwill not to be amortised and to be tested for impairment annually.

In addition, starting from January 1, 2005, goodwill acquired in a business combination prior to 31 March 2004 is not to be amortised and to be tested for impairment annually, irrespective of whether there is any indication that it may be impaired.

Other Intangible Assets

Other intangible assets acquired separately from a business are capitalized at cost. 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, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. 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. Other intangible assets are amortised on a straight-line basis over the best estimate of their useful lives.

The carrying values of other intangible assets are reviewed for impairment 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 it loses control of the contractual rights that comprise the financial asset or a portion financial asset. The Group derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled or expires.

Borrowings

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

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.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Leases

The Group as Lessee

Finance Lease

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 estimated useful life of the asset.

Operating Lease

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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Revenue

Revenue is recognised when the significant risks and rewards of ownership of the goods are passed to the buyer and the revenue can be reliably measured. Revenues are stated net of discounts, value added and sales taxes.

Income Tax

Tax expense/(income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred 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 goodwill amortisation or 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 taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- 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 tax assets are only recognised 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 difference can be utilized.

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 utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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.

Subsequent Events

Post-year-end events that provide additional information about the Company'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 and assumptions 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 if 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 company 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 Company is in a single product business which is considered to be the primary segment and the secondary segment is the geographical segment. Products other than beer represent less than 10% of the company's sales.

3. Changes in Group's Organization

For the year 2004

In April 2004, the Company entered into an agreement to acquire 13.00% of the share capital of Efes Ukraine for a cash consideration of USD 323.

In April 2004, Efes Ukraine increased its share capital by USD 9,850 where the cash contributions of the Company and the minority shareholders were USD 5,024 and USD 4,826, respectively.

As a result of above transactions the effective shareholding of the Company in Efes Ukraine has increased from 51.00% to 58.91% and the Company has recognised a gain on dilution of USD 470 in the consolidated income statement.

In September 2004, the Company acquired 64.40% of the share capital of a brewery in Zajecar, Serbia through a public bidding process for USD 15,430. The excess of the acquisition costs over the fair values of the net assets acquired was USD 5,015 and has been recognised as goodwill in the consolidated balance sheet (Refer to Note 9).

For the year 2003

In January 2003, the Company purchased 96.5% shares of Efes Vitanta, located in the capital city of Moldova (prior to the acquisition "Vitanta Intravest S.A.").

In August 2003, the Company acquired 62.85% of Efes Weifert, (prior to the acquisition "A.D. Pivara Pancevo") a Serbian company through a cash contribution to the company's share capital.

At the acquisition of Efes Vitanta and Efes Weifert the Company has applied IAS 22 -Accounting for Business Combinations, "allowed alternative treatment" which states that the identifiable assets and liabilities recognised should be measured at their fair values as at the date of acquisition. Any minority interest should be stated at the minority's proportion of the fair values of the identifiable assets and liabilities recognised.

In July 2003, the Company acquired 6.5% of Efes Moscow shares from the minority shareholders of Efes Moscow.

In August 2003, the Company entered into a shareholders agreement with Amsterdam Breweries International B.V., pursuant to which Efes Moscow acquired 100% of the share capital of Amstar, whose principal asset was a brewery in Ufa, through a combination of cash equal to USD 13,887 and shares to be issued constituting 12.4% of the share capital of Efes Moscow on a fully diluted basis. Consequently, the effective shareholding of the Company at Efes Moscow decreased to 71.0%. As a result of this transaction the Company has recognised a gain on sales of participation of USD 24,881 and a currency translation gain of USD 1,530 in the consolidated income statement for 2003 (Refer to Note 21).

The excess of the acquisition costs over the fair values of the net assets acquired in 2003 was USD 60,303 and has been recorded as goodwill in the consolidated balance sheet as of December 31, 2003 (Refer to Note 9).

In April 2003, the Company incorporated a new subsidiary, Efes Commerce, in Belgrade, Serbia and Montenegro with a capital of USD 20.

4. Cash and Cash Equivalents

	2004	2003
Cash on hand	**71**	59
Banks accounts (including short-term time deposits)	**134,483**	32,585
Other	**114**	33
Cash and cash equivalents per consolidated cash flow statement	**134,668**	32,677

Loans utilized by Efes Ukraine of USD 3,260, by Efes Karaganda of USD 2,750 and utilized by Rostov Beverage CJSC (Rostov Beverage-a related party) of USD 7,569 as of December 31, 2004 are secured with the same amount of cash at banks (Refer to Note 12)(2003-USD 17,505).

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 4.5%.

5. Trade and Other Receivables

	2004	2003
Accounts Receivable	**31,844**	18,977
Others	**27**	41
Less: provision for doubtful accounts	**(3,505)**	(1,318)
Total	**28,366**	17,700

6. Inventories

	2004	2003
Raw materials	**29,668**	21,424
Finished goods	**3,606**	3,980
Work-in-process	**4,735**	3,931
Others	**15,847**	12,642
Less reserve for obsolescence	**(5,857)**	(4,179)
Total	**47,999**	37,798

7. Prepayments and Other Current Assets

	2004	2003
Advances given to suppliers	**8,973**	6,044
VAT deductible	**6,732**	5,886
Prepaid expenses	**1,212**	522
Other receivables	**3,518**	2,957
Less provision for other receivables	**(822)**	(58)
Total	**19,613**	15,351

8. Property, Plant and Equipment

	Land	Buildings	Infrastructure	Machinery and Equipment	Furniture and Vehicles	Other Tangible Assets	Construction in Progress	2004 Total	2003 Total
Cost									
January 1, 2004	692	101,130	9,552	212,462	10,659	9,337	11,441	**355,273**	231,887
Additions	-	219	47	2,120	965	1,315	46,698	**51,364**	41,854
Disposals	(304)	(286)	(341)	(3,689)	(2,233)	(281)	(18)	**(7,152)**	(2,744)
Addition through subsidiary acquired	-	10,224	-	16,877	2,771	-	2,261	**32,133**	58,194
Currency translation difference	145	6,794	458	16,308	(248)	737	512	**24,706**	26,082
Transfers	2,266	5,612	747	39,927	2,034	104	(50,690)	**-**	-
December 31, 2004	**2,799**	**123,693**	**10,463**	**284,005**	**13,948**	**11,212**	**10,204**	**456,324**	355,273
Accumulated Depreciation and Impairment Losses									
January 1, 2004	-	17,384	2,550	59,903	4,635	3,162	-	**87,634**	41,848
Depreciation for the year	-	3,975	297	23,548	1,769	1,729	-	**31,318**	21,637
Impairment losses		1,281	537	3,040	-	167	-	**5,025**	-
Disposals	-	(280)	(191)	(3,456)	(1,759)	(189)	-	**(5,875)**	(1,224)
Addition through subsidiary acquired	-	5,351	-	8,855	1,494	-	-	**15,700**	19,163
Currency translation difference	-	1,027	97	5,563	(299)	224	-	**6,612**	6,210
December 31, 2004	**-**	**28,738**	**3,290**	**97,453**	**5,840**	**5,093**	**-**	**140,414**	87,634
Net book value	**2,799**	**94,955**	**7,173**	**186,552**	**8,108**	**6,119**	**10,204**	**315,910**	267,639

As of December 31, 2004, certain property, plant and equipment are pledged as security for short-term and long-term loans and borrowings of the Group. (Refer to Note 12).

1) Equipment under finance lease

The cost of property, plant and equipment held under finance lease is USD 8,825 and USD 8,547 and has a net book value of USD 6,147 and USD 6,763 as at December 31, 2004 and 2003, respectively (Refer to Note 26).

2) Borrowing costs

Property, plant and equipment include borrowing costs incurred in connection with the construction of certain assets. The gross amounts of borrowing costs capitalized as property, plant and equipment amounted to USD 20 and USD 587 as of December 31, 2004 and 2003, respectively were calculated over the long-term borrowings by taking their interest rates into account.

3) Impairment losses

In 2004, USD 5,025 impairment loss was recognised (2003-Nil)(Refer to Note 21) of which USD 4,400 of the impairment loss was related to Efes Ukraine and the remaining USD 625 was related to other subsidiaries. The Company and the minority shareholders of Efes Ukraine have entered into negotiations with prospective buyers related with the sale of all shares of Efes Ukraine which has not taken place so far. Considering the price range on the negotiations and the operational expenses to be incurred by Efes Ukraine until the transfer of shares is affected, a loss on sale of participation of USD 4,400 is estimated. Consequently, the recoverable amount is estimated to be USD 4,400 lower and such loss has been recognised as an impairment loss of property, plant and equipment in the consolidated income statement for the year ended December 31, 2004.

9. Intangible Assets

	Goodwill	Other intangible assets	**2004 Total**	2003 Total
Cost				
January 1	69,957	2,490	**72,447**	7,943
Additions	5,015	891	**5,906**	62,105
Addition through subsidiary acquired	-	-	**-**	417
Currency translation difference	2,897	170	**3,067**	1,982
December 31	77,869	3,551	**81,420**	72,447
Accumulated amortisation and impairment losses				
January 1	6,424	755	**7,179**	4,388
Amortisation for the year	3,795	1,072	**4,867**	2,414
Addition through subsidiary acquired	-	-	**-**	298
Currency translation difference	131	79	**210**	81
December 31	10,350	1,906	**12,256**	7,181
Net book value	67,519	1,645	**69,164**	65,266

10. Investments in Securities

	2004	2003
ZAO Mutena Maltery (Mutena Maltery)	**1,511**	1,511
Others	**245**	243
Total – non-current	**1,756**	1,754

Mutena Maltery (11.09%) is carried at cost, since it does not have a quoted market price in an active market and its fair value cannot be reliably measured by alternative valuation methods.

In April 2003, the Company sold its total investment in Knyaz Rurik OAO (8.18%) for a value of USD 1,938. As a result of this transaction, the Company recognised a gain amounting to USD 384 in the income statement for 2003 (Refer to Note 21).

11. Trade and Other Payables

	2004	2003
Trade accounts payable	**26,593**	19,507
Taxes payable other than income tax	**8,231**	5,276
Accrued expenses	**2,408**	1,017
Other short-term payables	**7,251**	5,090
Total	**44,483**	30,890

12. Borrowings

	2004	2003
Current		
Bank borrowings		
(including current portion of long-term borrowings)	**48,189**	42,734
Finance lease liabilities	**1,249**	1,099
Loan from Interbrew International B.V.	-	1,896
	49,438	45,729
Non-current		
Bank borrowings	**49,990**	66,993
Finance lease liabilities	**3,481**	4,541
	53,471	71,534
Total borrowings	**102,909**	117,263

As of December 31, 2004, USD 73,167 (2003 – USD 99,981) of the total borrowings are secured with the followings:

- Certain fixed assets of the Group amounting to USD 4,316.
- Cash collaterals amounting to USD 6,010.
- Moscow's and Efes Karaganda's immovable and movable properties, including inventory balances; the assignment of the rights regarding insurance coverage in respect of Efes Moscow's and Efes Karaganda's property.
- 43% of Efes Moscow's shares and all shares of Efes Karaganda held by the Company.
- Inventory of the Group amounting to USD 661.
- The ability of Efes Moscow and Efes Karaganda to declare dividends is subject to prior consent of the EBRD under the provisions of the loan agreements.
- A letter of guarantee amounting to USD 20,000 provided by Anadolu Efes.

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

	2004	2003
Bank borrowings		
Non-current		
USD and EURO denominated borrowings	**Libor + (2.95%-3.65%)**	Libor + (2.95%-4.10%)
	-	-
Current		
USD and Euro denominated borrowings	**Libor + (0.5%-4.1%)**	Libor + (0.5%-4.1%)
	1.0%-6.25%	1.0%-7.0%
Other currency denominated borrowings	**8.0%-18.0%**	13.0%-18.0%
Loan from Interbrew International B.V.	-	Libor + (3.0%)
Finance lease liabilities	**6.0%-8.3%**	6.0%-8.3%

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

	2004	2003
2004	**-**	11,861
2005	**18,035**	17,820
2006	**17,417**	17,397
2007	**17,469**	17,358
Thereafter	**15,104**	14,418
	68,025	78,854

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

	2004	2003
Next 1 year	**1,721**	1,648
1 to 5 years	**4,050**	5,467
After 5 years	**905**	956
Total minimum lease obligations	**6,676**	8,071
Interest	**(1,946)**	(2,431)
Present value of minimum obligations	**4,730**	5,640

13. Share Capital

	2004	2003
	Number of shares	Number of shares
Common shares, par value of EUR 1		
Authorized	250,000,000	136,140,000 (*)
Issued and outstanding	148,000,000	122,323,800 (*)

In October 2004, the articles of association of the Company were amended, whereby each share issued before the amendment of the articles of association with a par value of EUR 100 was split in one hundred shares with a par value of EUR 1. Consequently, the number of shares increased from 1,223,238 shares to 122,323,800 shares. In addition, the authorised number of shares was increased to 250,000,000 shares with a par value of EUR 1.

(*) Number of shares as of December 31, 2003, 2002 and for the year ended December 31, 2003 have been adjusted to give effect to the share split in October 2004, whereby each share with a nominal value of EUR 100 was split into 100 shares, each with a nominal value of EUR 1.

Movement in share capital

The movement of the share capital of the Company during 2004 and 2003 is as follows:

	2004		2003	
	Number of shares	USD	Number of shares	USD
At January 1,	122,323,800 (*)	124,630	119,510,300 (*)	121,641
Shares issued	25,676,200	32,291	2,813,500 (*)	2,989
At December 31	148,000,000	156,921	122,323,800 (*)	124,630

In October 2004, 38,287,250 ordinary shares and an additional 3,482,815 shares for the over-allotment option (which was exercised in full) of the Company, each with a nominal value of EUR 1 per share were offered, in the form of GDR's representing an interest in five Shares. The GDR's were listed on the London Stock Exchange. In connection with the initial public offering, the Company has authorised the issue of 25,676,200 ordinary shares with a nominal value of EUR 1 per share. Consequently, the number of shares increased from 122,323,800 shares to 148,000,000 shares. Anadolu Efes did not sell any share of the Company in relation with this offering. Certain portion of existing shares of other shareholders were also floated during the public offering.

In March 2003, the international corporate investors have exercised their call option right in the Company and the capital of the Company, which was EUR 119,510,300, was increased in cash to EUR 122,323,800. As a result of this transaction, the international corporate investors increased their shares in the Company from 13.04% to 15.04%.

The details of the capital increases are as follows:

Date	Number of shares issued	USD	
		At Par Value	Share Premium
October 2004	**25,676,200**	**32,291**	**80,059**
March 2003	2,813,500 (*)	2,989	2,896

As at December 31, 2004, the composition of shareholders and their respective % of ownership can be summarised as follows:

	2004	2003
Anadolu Efes	**70.22%**	84.96%
Public	**29.78%**	-
International corporate investors	-	15.04%
Total	**100.00%**	100.00%

14. Earnings per Share

Basic earnings per share (EPS), 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:

	2004	2003
Net profit attributable to ordinary shareholders	**35,601**	53,126
Weighted average number of ordinary shares	**127,810,769**	121,676,300 (*)
EPS (in full U.S. Dollars)	**0.28**	0.44

(*) Number of shares as of December 31, 2003 and 2002 have been adjusted to give effect to the share split in October 2004, whereby each share with a nominal value of EUR 100 was split into 100 shares, each with a nominal value of EUR 1.

There have been no other transactions involving ordinary shares since the reporting date and before the completion of these financial statements.

15. Cost of Sales

Cost of sales comprised the following expenses:

	2004	2003
Inventory used	**151,097**	102,418
Depreciation on property, plant and equipment	**22,454**	15,594
Personnel expenses	**10,791**	6,902
Repair and maintenance expenses	**6,344**	3,763
Amortisation of intangible assets	**43**	34
Other expenses	**16,289**	7,611
Total expenses	**207,018**	136,322

16. Selling and Marketing Expenses

Selling and marketing expenses are analyzed as follows:

	2004	2003
Marketing and advertising expenses	**40,293**	29,644
Distribution expenses	**21,215**	12,906
Personnel expenses	**12,235**	7,931
Depreciation on property, plant and equipment	**6,023**	3,659
Amortisation of intangible assets	**68**	16
Other expenses	**8,458**	4,896
Total expenses	**88,292**	59,052

17. General and Administrative Expenses

General and administrative expenses include the following:

	2004	2003
Personnel expenses	**15,356**	9,860
Taxes and duties	**5,371**	4,082
Consulting and legal fees and other business services	**4,987**	3,076
Amortisation of intangibles	**4,756**	2,364
Management fees and technical assistance	**3,522**	4,396
Depreciation on property, plant and equipment	**2,841**	2,384
Rent expense	**1,107**	680
Insurance expenses	**972**	996
Bad debt provision	**287**	439
Other expenses	**5,633**	4,603
Total expenses	**44,832**	32,880

18. Personnel Expenses and Average Number of Employees

	2004	2003
Wages and salaries	**32,144**	21,171
Other social expenses	**6,238**	3,522
Total expenses	**38,382**	24,693

The average number of employees for the years was:

	2004	2003
Russia	**1,448**	1,406
Moldova	**848**	813
Kazakhstan	**684**	696
Serbia and Montenegro (*)	**701**	310
Ukraine	**168**	240
Romania	**133**	139
The Netherlands	**3**	2
	3,985	3,606

(*)Efes Zajecar in Serbia and Montenegro was acquired in 2004. Therefore the average number of employees in 2003 has not been included.

19. Depreciation and Amortisation Expenses

	2004	2003
Property, plant and equipment		
Cost of sales	**22,454**	15,594
Selling and marketing	**6,023**	3,659
General and administrative	**2,841**	2,384
Sub-total depreciation expense	**31,318**	21,637
Intangible assets		
Cost of sales	**43**	34
Selling and marketing	**68**	16
General and administrative	**4,756**	2,364
Sub-total amortisation expense	**4,867**	2,414
Total depreciation and amortisation expenses	**36,185**	24,051

20. Financial Income / (Expense)

	2004	2003
Interest income	**698**	208
Foreign currency exchange gains	**7,899**	4,880
Total financial income	**8,597**	5,088
Interest expense on borrowings	**(5,409)**	(4,765)
Interest expense on finance lease	**(528)**	(396)
Other financial expense	**(808)**	(1,195)
Total financial expense	**(6,745)**	(6,356)
Net financial income / (expense)	**1,852**	(1,268)

Net financial expense for the years ended December 31, 2004 and 2003 is stated net of government grants received in the amount of approximately USD 261 and USD 249, respectively.

21. Other Income / (Expense)

	2004	2003
Impairment of property, plant and equipment (Refer to Note 8)	**(5,025)**	-
Income on sale of soda drinks	**2,716**	1,950
Cost of sale of soda drinks	**(2,400)**	(1,805)
Management fee income	**1,244**	1,136
Provision for obsolete inventory	**(1,585)**	(1,185)
Gain on dilution (Refer to Note 3)	**470**	-
Loss on disposal of property, plant and equipment	**(376)**	(421)
Gain on sale of participation(Refer to Note 3,10)	**-**	25,265
Recognition of currency translation due to sale of participation (Refer to Note 3)	**-**	1,530
Dividend income	**91**	242
Other income	**752**	2,630
Total other income/(expenses)	**(4,113)**	29,342

22. Income Taxes

	2004	2003
Current tax expense	**(15,525)**	(10,002)
Deferred tax income/(expense) relating to the origination and reversal of temporary differences	**1,910**	1,852
Total income tax	**(13,615)**	(8,150)

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

	2004	2003
Consolidated profit before tax and minority interest	**56,128**	63,939
Permanent differences between IFRS and statutory results	**(1,941)**	(25,737)
Tax effect of loss making subsidiaries	**10,183**	7,620
Add non deductible expenses	**6,881**	3,742
Taxable profit	**71,251**	49,564
Tax calculated at the Company's tax rate of 34,5% in 2004 and 2003	**(24,581)**	(17,099)
Impact of different tax rates in other countries	**7,468**	4,893
Utilization of previously unused tax losses	**352**	915
Income tax exemption	**1,236**	1,289
	(15,525)	(10,002)
Tangible asset valuation, net	**(692)**	(995)
Intangible asset valuation, net	**(58)**	7
Tax loss carried forward	**2,701**	2,534
Accruals	**156**	1,645
Others	**(197)**	(1,339)
Total income tax	**(13,615)**	(8,150)

23. Deferred Taxes

Components of deferred tax assets and liabilities are as follows:

	Assets		Liabilities		Net	
	2004	2003	**2004**	2003	**2004**	2003
Accruals	**3,491**	3,147	**-**	-	**3,491**	3,147
Inventory	**327**	210	**391**	(295)	**718**	(85)
Tax loss carried forward	**8,021**	5,167	**-**	-	**8,021**	5,167
Prepayments	**-**	-	**(271)**	(413)	**(271)**	(413)
Tangible assets	**-**	-	**(17,378)**	(15,616)	**(17,378)**	(15,616)
Intangible assets	**-**	58	**-**	-	**-**	58
Other	**630**	476	**(2,346)**	(1,460)	**(1,716)**	(984)
	12,469	9,058	**(19,604)**	(17,784)	**(7,135)**	(8,726)
Net deferred income tax liability					**(12,900)**	(12,087)
Deferred income tax asset - tax loss carried forward					**5,765**	3,361
					(7,135)	(8,726)

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;
- employee benefits expenses, and provisions are not tax deductible until payments are made;
- 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 are as follows:

	Balance at January 1, 2004	Addition through subsidiary acquired	Recognised in income statement	Translation effect	**Balance at December 31, 2004**
Accruals	3,147	-	156	188	**3,491**
Inventory	(85)	5	757	41	**718**
Tax loss carried forward	5,167	-	2,701	153	**8,021**
Prepayments	(413)	-	158	(16)	**(271)**
Tangible assets	(15,616)	-	(692)	(1,070)	**(17,378)**
Intangible assets	58	-	(58)	-	**-**
Other	(984)	207	(1,112)	173	**(1,716)**
	(8,726)	**212**	**1,910**	**(531)**	**(7,135)**

24. Notes to Cash Flow Statements

Cash flows from acquisition and disposal of subsidiaries:

	2004	2003
	Acquisition	Acquisition
Cash and cash equivalents	**65**	6,924
Trade receivables	**1,156**	4,009
Inventories-net	**2,768**	6,884
Other current assets	**405**	1,252
Investments	**1**	234
Property, plant and equipment-net	**16,433**	39,031
Intangible assets-net	**-**	119
Deferred tax assets	**212**	454
Other non-current asset	**-**	45
Trade and other payables	**(1,569)**	(3,514)
Short-term loans	**(335)**	(5,045)
Current portion of Long-term borrowings	**-**	(450)
Long-term loans	**(778)**	(8,941)
Deferred tax liability	**-**	(1,004)
Other current liabilities	**(1,655)**	(8,431)
Other non-current liabilities	**(531)**	-
Fair value of net assets	**16,172**	31,567
Net assets acquired	**10,415**	27,822
Goodwill	**5,015**	60,303
Acquired minority shares of Efes Ukraine	**323**	-
Acquired minority shares of Efes Moscow	**-**	8,775
Total purchase consideration	**15,753**	96,900

The cash outflow on acquisition is as follows:

Net cash acquired with subsidiary	**(65)**	(6,924)
Fair value of the shares of Efes Moscow	**-**	(44,674)
Total purchase consideration	**15,753**	96,900
Net cash outflow	**15,688**	45,302

25. Financial Instruments

Financial Risk Management

Credit risk

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

Interest rate risk

The Group mainly enters into LIBOR based contracts in its financial borrowings. As of December 31, 2004, 10% of the Group's long-term debt was at fixed rates (2003 - 10%).

The weighted average effective interest rates which are calculated from different types of currencies, as at December 31, 2004 are as follows:

Fixed rate bank loans	6.9%
Floating rate bank loans	3.0%
Fixed leasing	7.8%

Foreign exchange risk

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

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

Net foreign currency liability position of the Company as of December 31, 2004 is approximately USD 16 million (2003 – USD 85 million).

Liquidity risks

Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Group within the normal terms of trade. To manage this risk the Group periodically assesses the financial viability of customers.

Fair Values

The fair values of trade receivables and other current assets (net of provision) and trade and other payables are estimated to approximate carrying value due to their short-term nature.

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

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

26. 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:

	2004	2003
Buildings	**4,322**	4,072
Machinery and equipment	**3,477**	3,688
Other tangible assets	**1,026**	787
Accumulated depreciation	**(2,678)**	(1,784)
Net book value	**6,147**	6,763

Lessee - Operating Lease

The Company and its subsidiaries have various operating lease agreements for land in Romania and in Russia, on which the subsidiaries operate and for machinery and equipment, which are detailed below:

In October 1995 and in May 1996, Interbrew Efes concluded an operating lease agreement with Ploiesti City Hall for the land beneath the factory's premises rented for a period of 49 years. Rent expense consists of the basic expense of USD 40 for the year ended December 31, 2004. As of December 31, 2004, prepayment for the lease agreement is as follows:

	2004	2003
Prepaid lease for less than one year	**83**	83
Prepaid lease for more than one year	**1,609**	1,435
	1,692	1,518

The brewery of Efes Moscow is situated on a site leased from the Moscow City Government under a 49-year lease contract. The lease rights, as well as fixed assets, are mortgaged for the full carrying amounts to secure obligations of Efes Moscow under the loan agreements with the EBRD.

27. Segment Reporting

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

	Russia		Others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003
Total Assets	**263,136**	215,551	**367,305**	233,053	**630,441**	448,604
Sales	**305,548**	201,401	**92,983**	62,718	**398,531**	264,119
Purchase of property, plant and equipment	**38,205**	23,677	**14,030**	19,389	**52,235**	43,066

28. 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.

1) Balances with Related Parties

Balances with related parties as of December 31, 2004, which are separately classified in the consolidated balance sheets are as follows:

Due from related parties	**2004**	2003
Anadolu Efes (1)	-	218
Efes Holland Technical Management Consultancy N.V. (Efes Holland) (2)	**2,390**	944
Coca-Cola Bottlers Kazakhstan Almaty (Coca-Cola Almaty) (2)	**738**	1,132
Coca-Cola Bishkek Bottlers C.J.S.C (Coca-Cola Bishkek) (2)	**168**	217
Mutena Maltery (3)	**88**	209
Interbrew Efes	-	1,896
Total	**3,384**	4,616

Due to related parties	**2004**	2003
Efes Holland (2)	**8,619**	6,767
Mutena Maltery (3)	**3,188**	3,249
Rostov Beverage (2)	**1,079**	773
Oyex Handels Gmbh (2)	**374**	340
Anadolu Efes (1)	**164**	23
Coca-Cola Almaty (2)	**50**	75
Efes Invest (2)	**4**	-
Efpa (2)	-	64
Anadolu Efes TMC (2)	-	2,460
Total	**13,478**	13,751

2) Transactions with Related Parties

The most significant transactions with related parties during the year ended December 31, 2004 are as follows:

- Management and license fee expense to Efes Holland (2) amounted to USD 2,984.
- Management fee income from Efes Holland (2) amounted to USD 1,244.
- Interest expense to Rostov Beverage (2) amounted to USD 411.
- Sale of beer to Coca-Cola Almaty (2) amounted to USD 6,516.
- Sale of beer to Coca-Cola Bishkek (2) amounted to USD 726.
- Interest expense on loan from Anadolu Efes (1) amounted to USD 91.
- Processing services from Mutena Maltery (3) amounted to USD 4,691.
- Purchase of materials from Oyex Handels Gbmh (2) amounted to USD 889.
- Purchase of soda drinks from Coca-Cola Almaty (2) amounted to USD 2,425.
- Rendering services from Coca-Cola Almaty (2) amounted to USD 165.
- Purchase of other materials from Coca-Cola Almaty (2) amounted to USD 46.
- Purchase of beer from Anadolu Efes (1) amounted to USD 475.
- Purchase of other materials from Anadolu Efes (1) amounted to USD 231.
- Dividend income from Mutena Maltery (3) amounted to USD 140.
- Heating and water services charged to Mutena Maltery (3) amounted to USD 557.
- Sale of beer to Efes Pazarlama (2) amounted to USD 236.

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

3) Emoluments of the Board of Directors

a) The remuneration of executive board of USD 247 and supervisory board of USD 72 were included in personnel expenses.
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.

29. Commitments and Contingencies

Obligation to complete the production facilities

In relation to financing the new brewery constructed in Almaty, Efes Karaganda has obtained loans from the EBRD. The Company has committed to support the completion of the project together with Anadolu Efes. The referred commitment of USD 9.5 million is not related to reimbursement of the referred loan, but to support the completion of the project.

Put options

A put option has been granted to Invesco Funds, which is related to Efes Ukraine's minority shareholders, by the Company that may be exercisable between 2005 and 2012. By such put option, Invesco Funds will be entitled to sell its Efes Ukraine shares (such shares which will be owned by Invesco Funds at the time such option becomes exercisable) to the Company at an option price to be determined by an independent valuation.

The Company will purchase (and has already begun the process of acquiring) from the minority shareholders of Efes Ukraine their collective 41.1% interest for a price equal to approximately USD 1.7 million. Consequently, the put option which has been granted to Invesco Funds by the Company will be terminated when the purchase of the shares by the Company is completed.

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 Efes Moscow shares to the Company at an option price to be determined by an independent valuation.

A put option has been granted to Amsterdam Breweries International B.V. by the Company that may be exercisable between 2005 and 2007. By such put option, Amsterdam Breweries International B.V. will be entitled to sell its Efes Moscow shares to the Company at an option price to be determined by an independent valuation.

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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“Annual Report prepared under the requirements of the Netherlands’ Civil Code” forms an integral part of this report. Therefore for further information, the readers of this report may refer to such report in addition to the Articles of Association, Supervisory Board Charter, Board of Management Charter, Audit Committee Charter, Selection and Appointment Committee Charter, Remuneration Committee Charter, Insider Trading Rules, CG Summary, and Arrangement of Whistleblowers which are avaliable on EBI's website at www.efesholland.nl.