



EFES BREWERIES INTERNATIONAL N.V.

(A public limited liability company incorporated in The Netherlands)

Global Offering of 38,287,250 Ordinary Shares in the form of Global Depositary Receipts

Offer Price: US\$23.25 per Global Depositary Receipt

38,287,250 ordinary shares, each with a nominal value of €1.00 per share (the "Shares"), of Efes Breweries International N.V. (the "Company"), a public limited liability company incorporated in The Netherlands, are being offered, in the form of global depositary receipts ("GDRs"), each GDR representing an interest in five Shares, by the Company and by certain selling shareholders of the Company named on page 71 (the "Selling Shareholders").

The offering consists of (a) an offering (the "U.S. Offering") to certain "qualified institutional buyers" (each a "QIB") as defined in Rule 144A ("Rule 144A") under the United States Securities Act of 1933, as amended (the "Securities Act"), in the United States of GDRs (the "Rule 144A GDRs") in reliance on Rule 144A; and (b) an offering (the "International Offering" and, together with the U.S. Offering, the "Offering") outside the United States to non-US persons of GDRs (the "Regulation S GDRs") in reliance on Regulation S ("Regulation S") under the Securities Act. The GDRs will not be offered to residents of The Netherlands other than to professional investors. None of the GDRs are being made available, in whole or in part, to the public in connection with the Offering.

The Selling Shareholders have granted to Credit Suisse First Boston (Europe) Limited ("CSFB") an option (the "Over-allotment Option") exercisable within 30 days after the closing of the Offering, which is expected to occur on or about 20 October 2004 (the "Closing Date") to purchase a maximum of 3,482,815 additional Shares in the form of GDRs, solely to cover over-allotments, if any, in the Offering and/or to cover short positions relating to stabilisation activities. See "Subscription and Sale".

The GDRs are of a specialist nature and should normally only be bought and traded by investors who are particularly knowledgeable in investment matters. See "Risk Factors" beginning on page 12 for a discussion of certain matters that prospective investors should consider prior to making an investment decision.

THE GDRs OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE GDRs ARE BEING SOLD IN THE UNITED STATES ONLY TO QIBs IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A, AND OUTSIDE THE UNITED STATES TO NON-US PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE GDRs MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON TRANSFER, SEE "TRANSFER RESTRICTIONS, SELLING RESTRICTIONS AND SETTLEMENT".

Application has been made (i) to the UK Listing Authority (the "UKLA") for the GDRs to be admitted ("Admission") to the Official List of the UKLA; (ii) to London Stock Exchange plc (the "London Stock Exchange") for the GDRs to be traded through the International Order Book of the London Stock Exchange (the "IOB"); and (iii) for the Rule 144A GDRs to be designated as eligible for trading in the PORTAL Market of The Nasdaq Stock Market, Inc. ("PORTAL"). Prior to the Closing Date there has not been any public market for the Shares or the GDRs. It is expected that conditional trading in the Regulation S GDRs through the IOB and in the Rule 144A GDRs on PORTAL will commence on a "when issued" basis on or about 15 October 2004, and unconditional trading in the Regulation S GDRs on the London Stock Exchange through the IOB and in the Rule 144A GDRs on PORTAL will commence on or about 21 October 2004. **All dealings in the GDRs prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned. The Shares have not been, and are not expected to be, listed on any stock exchange.**

A copy of this Offering Circular, including the financial statements included herein, comprises Listing Particulars relating to the Company prepared in accordance with the Listing Rules of the UKLA (the "Listing Rules") made pursuant to Part VI of the Financial Services and Markets Act 2000 (the "FSMA") and has been delivered to the Registrar of Companies for England and Wales for registration in accordance with Section 83 of that Act.

The Shares and the GDRs are not listed in The Netherlands. This Offering Circular has not been reviewed, approved or disapproved by any regulatory authority in The Netherlands. The Company is not subject to the ongoing reporting requirements of the securities laws of The Netherlands.

The GDRs offered hereby are offered severally by the Managers referred to in "Subscription and Sale" (the "Managers") or through their selling agents, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. The Regulation S GDRs will be evidenced by a Global Depositary Receipt (the "Master Regulation S GDR") deposited with The Bank of New York, as custodian for The Depositary Trust Company ("DTC") in New York. The Rule 144A GDRs will be evidenced by a Master Rule 144A Global Depositary Receipt (the "Master Rule 144A GDR" and, together with the Master Regulation S GDR, the "Master GDRs") deposited with The Bank of New York as custodian for DTC in New York. Except as described herein, beneficial interests in the Master GDRs will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear Bank N.V./S.A. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), and their direct and indirect participants. It is expected that delivery of the GDRs will be made on or about 20 October 2004 through DTC.

Lead Manager and Bookrunner

Credit Suisse First Boston

Co-Lead Managers

ABN AMRO Rothschild

CA IB

United Financial Group

Selling Agent

Allen & Company LLC

The date of this Offering Circular is 15 October 2004

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the Company's knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Any reference in this document to Listing Particulars means this document excluding all information incorporated by reference. The Company has confirmed that any information incorporated by reference, including any such information to which readers of this document are expressly referred, has not been and does not need to be included in this document to satisfy the requirements of FSMA or the Listing Rules. The Company believes that none of the information incorporated herein by reference conflicts in any material respect with the information included in this document.

No person is authorised to give any information or to make any representation in connection with the offering or sale of the GDRs other than as contained in this Offering Circular, and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Selling Shareholders, the Depositary (as defined below) or any of the Managers. This Offering Circular is being furnished by the Company and the Selling Shareholders solely for the purpose of enabling a prospective investor to consider the purchase of the GDRs. No representation or warranty, express or implied, is made by any Manager or any of their affiliates or advisors as to the accuracy or completeness of any information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by any Manager as to the past or the future. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the GDRs is prohibited, except to the extent that such information is otherwise publicly available. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct at any time subsequent to such date. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing.

This Offering Circular does not constitute an offer to sell, or a solicitation by or on behalf of the Company, the Selling Shareholders, the Depositary, any Manager or the Selling Agent to any person to subscribe for or purchase any of the GDRs in any jurisdiction where it is unlawful for such person to make such an offer or solicitation. The distribution of this Offering Circular and the offering or sale of the GDRs in certain jurisdictions is restricted by law. Persons into whose possession this Offering Circular may come are required by the Company, the Managers, and the Selling Shareholders to inform themselves about and to observe such restrictions. No action has been taken by the Selling Shareholders, the directors of the Company, the Managers or the Selling Agent that would permit, otherwise than under the Offering, an offer of the GDRs, or possession or distribution of this Offering Circular or any other offering material or application form relating to the GDRs in any jurisdiction where action for that purpose is required. This Offering Circular may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful. Further information with regard to restrictions on offers and sales of the GDRs is set forth under "Subscription and Sale".

The Regulation S GDRs and the Rule 144A GDRs will be delivered by The Bank of New York, as depositary (the "Depositary"), pursuant to the Deposit Agreement (the "Deposit Agreement"), expected to be dated the Closing Date, between the Company and the Depositary. The Shares represented by the GDRs will be registered in the name of the Depositary or its nominee.

In connection with this Offering, CSFB or any of its agents may, for a limited period, over-allot or effect transactions with a view to supporting the market price of the GDRs at a level higher than that which might otherwise prevail. However, there is no obligation on CSFB nor any of its agents to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

In making an investment decision, prospective investors must rely on their own examination of the Company and the terms of this Offering Circular, including the risks involved.

The Shares and the GDRs are not, will not and may not be offered, as part of their initial distribution or at any time thereafter, other than to: (a) persons established, domiciled or resident in The Netherlands who trade or invest in securities in the conduct of their profession or trade (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, other institutional investors and commercial enterprises which as an ancillary activity regularly invest in securities) (“professional investors”); and (b) persons who are established, domiciled or resident outside The Netherlands.

The offer of the Shares and the GDRs, each announcement thereof and any offer document in respect thereof comply with the laws and regulations of each state where persons to whom the offer is made are resident.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH, OR APPROVED OR DISAPPROVED BY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (“SEC”) OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

FOR NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION, MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FORWARD LOOKING STATEMENTS

This Offering Circular includes “forward-looking statements”, which include all statements other than statements of historical facts, including, without limitation, those regarding EBI’s (as defined below) financial position, business strategy, plans and objectives of Management (as hereafter defined) for future operations (including planned investments in capacity in its existing breweries, plans for re-launching brands, and expectations about the success of new products including PET-packaged products, and possible acquisitions in Russia east of the Urals and the possible disposition of certain assets, including the brewery in Ukraine), or any statements preceded by, followed by or that include the words “targets”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “would”, “could” or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future. Among the important factors that could cause the Company’s actual results, performance or achievements to differ materially from those expressed in such forward-looking statements include those in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Risk Factors”, and elsewhere in this Offering Circular. These forward-looking statements speak only as at

the date of this Offering Circular. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by the Listing Rules.

AVAILABLE INFORMATION

For so long as any Shares or GDRs representing such Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or Section 15(d) of the United States Exchange Act of 1934, as amended (the "Exchange Act" and, together with the Securities Act, the "Securities Laws"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company is incorporated under the laws of The Netherlands. Certain persons referred to herein are residents of Turkey and certain entities referred to herein are organised under the laws of Turkey or The Netherlands. All or a substantial portion of the assets of such persons, entities and the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons in the United States or to enforce against them or the Company judgments obtained in United States courts predicated upon the civil liability provisions of the Securities Laws. There is doubt as to whether Turkish courts would enforce certain civil liabilities under the Securities Laws in original actions or judgments of U.S. courts based upon such civil liability provisions. Dutch courts will not enforce any such liabilities and a new action or judgment of a Dutch court is necessary. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in The Netherlands or Turkey.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Company's audited consolidated financial statements in respect of the financial years ended 31 December 2001, 2002 and 2003 included in this Offering Circular (the "Annual Financial Statements") and the Company's reviewed unaudited consolidated financial statements in respect of the six month periods ended 30 June 2003 and 2004 (the "Interim Financial Statements" and, together with the Annual Financial Statements, the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Financial Statements include the Company and the companies that it controls ("subsidiaries"). This control is normally evidenced when the Company owns, either directly or indirectly, more than 50.0% of the voting rights of a company's share capital or 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.

Companies 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. Inter-company balances and transactions, including inter-company profits and unrealised profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Interbrew Efes Romania (as hereafter defined) is a jointly-controlled entity, effective from March 2000 when the Company sold a 50.0% stake to Interbrew (as hereafter defined). Interests in Interbrew Efes Romania are recognised in the Financial Statements in accordance with the proportionate consolidation basis: in proportion to the Company's interest in the joint venture's revenue, costs, assets and liabilities. An

assessment of interests in the joint venture is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exist. The Financial Statements include Interbrew Efes Romania's results on the basis of it being a jointly-controlled entity.

In this Offering Circular all references to "RUR" and "Ruble" are to the currency of the Russian Federation ("Russia"), all references to "€" and "Euro" are to the currency of the European Union, and all references to "£" and "Pounds Sterling" are to the currency of the United Kingdom of Great Britain and Northern Ireland. All references to "US\$" and "U.S. dollar" are to the currency of the United States of America.

All references to "hl" are to hectolitres and one hectolitre is equal to one hundred litres. The term "mhl" refers to "million hectolitres". The term "unit case" means 5.678 litres.

The term "business day" means a day on which banks are open for normal banking business in London.

This Offering Circular contains translations of certain amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the amounts actually represent such equivalent U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rate indicated as of the dates mentioned herein or at all. See "Exchange Rate Information".

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

MARKET SHARE INFORMATION

The market, industry, market share and product segment data contained in this Offering Circular have been taken from industry reports and reports commissioned by the Company from third party sources. In particular, market data has been sourced from reports published by Canadean Limited ("Canadean") and market share data has been largely derived from reports commissioned by the Company from ACNielsen, MEMRB Retail Tracking Services Ltd ("MEMRB") and the Business Association of the Serbia and Montenegro Brewers and Malt Producers (the "Brewers' Association"). Data sourced from Canadean relating to 2003 are estimates based on extrapolations to the end of 2003 of actual figures for the period from 1 January 2003 to 30 September 2003. Data sourced from Canadean relating to any period subsequent to 2003 are forecasts made by Canadean based upon their knowledge of the market and on information available to them. In the preparation of this Offering Circular this third-party information has not been independently verified nor has there been any investigation of the validity of the methodology of or the basis used by the third parties in producing such data or making estimates and forecasts. The Company can give no assurance that any such information is accurate or, in respect of projected data, that such projections have been based on correct information and assumptions or that they will prove to be accurate.

The term "market share by value" means market share as measured by the percentage of total revenues in the measuring currency of the applicable jurisdiction that the reference entity represents in respect of the entire market in the applicable jurisdiction, the term "market share by sales volume" means market share as measured by the percentage of total volume sold that the reference entity represents in respect of the entire market in the applicable jurisdiction and the term "market share by production volume" means market share as measured by the percentage total volume produced that the reference entity represents in respect of the entire market in the applicable jurisdiction.

CONTENTS

| | |
|--|-----|
| SUMMARY | 1 |
| RISK FACTORS | 12 |
| USE OF PROCEEDS | 22 |
| DIVIDEND POLICY | 22 |
| EXCHANGE RATE INFORMATION | 23 |
| CAPITALISATION | 24 |
| DILUTION | 24 |
| THE BREWING INDUSTRY | 25 |
| DESCRIPTION OF BUSINESS | 32 |
| SELECTED CONSOLIDATED FINANCIAL DATA | 50 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS... | 53 |
| THE ANADOLU GROUP AND EFES BEVERAGE GROUP | 67 |
| RELATED PARTY TRANSACTIONS | 68 |
| THE PRINCIPAL AND SELLING SHAREHOLDERS | 71 |
| DIRECTORS AND MANAGEMENT | 72 |
| DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE | 75 |
| TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS | 87 |
| SUMMARY OF PROVISIONS RELATING TO THE GDRs WHILE IN MASTER FORM | 107 |
| TAXATION | 109 |
| SUBSCRIPTION AND SALE | 118 |
| TRANSFER RESTRICTIONS, SELLING RESTRICTIONS AND SETTLEMENT | 120 |
| LEGAL MATTERS | 127 |
| INDEPENDENT AUDITORS | 128 |
| OBTAINING INFORMATION ABOUT THE COMPANY | 128 |
| GENERAL INFORMATION | 129 |
| INDEX TO FINANCIAL STATEMENTS | F-1 |

SUMMARY

The following summary information does not purport to be complete and should be read in conjunction with the more detailed information appearing elsewhere in this Offering Circular, including the Financial Statements from which it is partly derived. Certain information contained in this summary and elsewhere in this Offering Circular, including information with respect to the Management's plans and strategy for the Company's business and related financings, are forward-looking statements that involve risks and uncertainties. "Risk Factors" beginning on page 12 sets forth certain information that prospective investors should carefully consider before making any investment in the GDRs and that could cause actual results to differ materially from the forward-looking statements contained in this Offering Circular.

EBI

Overview

The Company and its subsidiaries are a leading brewing group in the countries in which they operate, across the Commonwealth of Independent States ("CIS"), Eastern Europe and the Balkans. Currently the group operates in the Republic of Kazakhstan ("Kazakhstan"), Moldova, Romania, Russia and Serbia and Montenegro ("Serbia") (the "Territories" and each a "Territory"), where it has nine breweries, and markets and sells beer products through the Company's five directly-owned operating subsidiaries (each an "Operating Company" and, together with the Company, "EBI"), and the Company's newly acquired second brewery in Serbia. EBI also owns a brewery in Ukraine that ceased commercial activities in May 2004 and that EBI is currently in the process of selling. 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 the Adriatic Sea to the borders of the People's Republic of China.

In the years ended 31 December 2001, 2002 and 2003, EBI's net sales on a consolidated basis were approximately US\$102.6 million, US\$160.1 million and US\$264.1 million, respectively, representing an increase of approximately 56.0% and 65.0% per year in 2002 and 2003, respectively, over the previous years. EBI had consolidated sales volumes of approximately 2.1 million, 3.2 million and 5.3 million hectolitres in the years ended 31 December 2001, 2002 and 2003, respectively. In the six months ended 30 June 2004, EBI's net sales on a consolidated basis were US\$184.4 million, representing a 73.6% increase over its net sales on a consolidated basis of US\$106.2 million in the six months ended 30 June 2003. EBI had consolidated sales volumes of approximately 2.1 million hectolitres and 3.5 million hectolitres in the six months ended 30 June 2003 and 2004, respectively. As at 30 June 2004, EBI had 3,610 full-time employees (excluding employees in the Ukraine brewery, which is in the process of being sold).

The Company is a majority-owned subsidiary of Anadolu Efes Biracılık ve Malt Sanayii Anonim Şirketi ("Anadolu Efes"), a company based in Turkey. Anadolu Efes, together with its direct and indirect subsidiaries and affiliates (collectively with Anadolu Efes, "Efes Beverage Group"), produces and markets beer, bottled water, malt and soft drinks across Turkey, Eastern Europe, the Balkans and the CIS, with net sales on a consolidated basis of approximately US\$745.7 million for the year ended 31 December 2003. All brewing operations of Efes Beverage Group outside of Turkey are conducted by EBI. Efes Beverage Group in turn forms part of the Anadolu Group, a Turkish corporate group with diversified interests in the automotive, finance, writing instruments and office supplies and beverage industries through partnerships and joint ventures with leading international companies.

The Operating Companies and its newly acquired second brewery in Serbia are the Company's only directly-owned operating subsidiaries. The Company's ownership interests in each of the Operating Companies are as follows:

- The Company directly and indirectly owns 71.0% of Moscow Efes Brewery ZAO ("Efes Russia"), and the remaining 29.0% is owned as follows: Amsterdam Breweries Investment B.V. ("Amsterdam Breweries") owns 12.4%; the European Bank for Reconstruction and Development (the "EBRD") owns 8.8%; EL&EL Ltd. ("EL&EL"), an international investment company with major interests in

the brewing and packaging industries in Russia and elsewhere in the CIS, owns 3.9%; Knyaz Rurik JSC (“Knyaz Rurik”), a closed joint-stock company established by the government of the City of Moscow, owns 2.6%; and Mosimmobilia Immobiliengesellschaft GmbH owns 1.3%;

- The Company owns 100% of CJSC Efes Karaganda (“Efes Kazakhstan”);
- The Company owns 96.5% of Efes Vitanta Moldova S.A. (“Efes Moldova”), while the remaining 3.5% is owned by individual shareholders;
- The Company, directly and indirectly, together with Anadolu Efes, owns 50.0% of Interbrew Efes Brewery S.A. (“Interbrew Efes Romania”), while the remaining 50.0% is owned directly and indirectly by Interbrew S.A. (“Interbrew”), the Belgium-based brewing company; and
- The Company owns approximately 62.8% of Efes Weifert Brewery d.o.o (“Efes Serbia”), while the remaining 37.2% is owned as follows: the Serbian State owns 4.7% and individual shareholders (including employees of Efes Serbia) own 32.5%.

In addition, EBI owns 58.9% of CJSC Efes Ukraine Brewery (“Efes Ukraine”), which ceased commercial activities in May 2004. EBI is currently in the process of selling Efes Ukraine.

History

The Company was formed in 1996 by Efes Beverage Group, which has been active in Eastern Europe, the Balkans and the CIS since 1991, when it started to explore opportunities for expansion in those markets. In 1994, Efes Beverage Group began distributing its locally produced *Efes Pilsener* beer in Romania. In 1996, Efes Beverage Group acquired a brewery in Karaganda, Kazakhstan. In 1997, Efes Beverage Group entered into a joint venture with Knyaz Rurik to develop a maltery and brewery complex in Moscow. Efes Beverage Group established a greenfield brewery in Ploiesti, Romania in 1997. In 1998, the Romanian brewery began commercial production, and Efes Beverage Group consolidated its international beer operations through a reorganisation that resulted in the creation of EBI. Since 1998, all international brewing operations of Efes Beverage Group have been conducted through EBI.

In 1998, EBI began commercial production in Kazakhstan. In 1999, EBI began commercial production in Russia, and in 2000, the Romanian operations were restructured as a 50:50 joint venture with Interbrew. In 2001, EBI acquired a majority interest in a brewery in Odessa, Ukraine, which ceased commercial activities in May 2004 and is currently in the process of being sold. In 2002, EBI established a brewery in Rostov, Russia, which commenced commercial production in 2003. In 2003, EBI purchased a brewery at Ufa, its third production facility in Russia, and began commercial production at its second brewery in Kazakhstan, in Almaty. In that year, EBI also acquired majority interests in breweries in Chisinau, Moldova, and Belgrade, Serbia. In September 2004, the Company acquired a second brewery in Serbia.

Key Strengths

The Company’s management (“Management”) believes that the key strengths of EBI include:

- **Presence in high-growth markets.** The reasons for EBI’s focus on the Territories include:
 - (i) *The large size of the Territories’ combined population:* The combined population of the Territories is approximately 194.8 million, with an average per capita beer consumption of 48.8 litres per year, compared with a combined population in Western Europe of 390.2 million and an estimated Western European average per capita beer consumption of approximately 75.1 litres in 2003.
 - (ii) *The historical and expected high growth rate in private consumption and income in the Territories:* From 1999 to 2003, the compound annual growth rate (“CAGR”) for beer consumption in the Territories was approximately 11.2% over the period, compared to a negative CAGR for beer consumption in Western Europe of approximately 1.0% over the same period.

- (iii) *The advantage that EBI's early entry into the Territories has given it in the ongoing consolidation process of the beer industry:* In Russia, EBI's largest market, accounting for approximately 62.8% of EBI's sales volume in 2003, the top five beer companies accounted for approximately 67.8% of sales volume in June 2004. In Western Europe, concentrations in market share are generally higher, for example, in France the top three brewers jointly held a market share by sales volume of approximately 86.0% of the market in 2003.
- (iv) *The historical and accelerating shift in demand from low quality beer to premium beer in the Territories:* In Russia, mid-priced and low-priced brands accounted for approximately 86.3% of sales volume in the beer market in 2000, with local premium, licensed and imported brands accounting for the remaining approximately 13.7% of sales volume. By 2003, mid-priced and low-priced brands held a decreased share of approximately 81.6% of sales volume, while the share of sales volume held by local premium, licensed and imported brands had increased to approximately 18.4%, with local premium brands alone accounting for 14.1%.
- **Leading market positions.** EBI is among the leading brewers, and its product portfolio includes some of the most popular and well-known beer brands, in the Territories. EBI's *Stary Melnik* brand is the market leader in the Russian beer market within the local premium segment in volume and value terms. EBI's products lead the Moldovan beer market in volume and value terms and EBI's *Karagandinskoe's* brand leads the Kazakh beer market in volume terms. Accordingly, Management believes that EBI is well placed to benefit from the continuing growth of the beer markets in the Territories, which Management believes will continue to generate increasing interest and demand for EBI's existing products and present opportunities for expanding its product portfolio.
 - **Branding and marketing expertise.** EBI has developed considerable expertise in re-launching existing, and creating new beer brands, and promoting them to national prominence in each of the Territories. A key component of EBI's branding and marketing strategy is to reinforce the national characteristics of most of its brands. In Russia, for example, EBI launched the *Stary Melnik* (meaning "Old Miller") brand in 1999, and it is now one of the most widely recognised beer brands in the country. In 2001 in Kazakhstan, EBI re-introduced the *Karagandinskoe* brand, and it is now one of the most well-known beer brands in that country. EBI also benefits from Efes Beverage Group's expertise and experience in promoting the *Efes Pilsener* brand. Management also believes that the expertise and experience gained by the Operating Companies in their respective Territories is a key ingredient in the Territory-specific promotion strategy of the *Efes Pilsener* brand.
 - **Tactical premium product positioning.** EBI's products are predominantly positioned in the most profitable or fastest growing segments of the beer markets in the Territories. For instance, in Russia, EBI's products are positioned primarily in the licensed and local premium segments of the market. These two segments combined grew by approximately 4.7% in terms of value in 2003 compared to 2002. Production of licensed and local premium products constituted an aggregate of 84.6% of EBI's total volume production in Russia in 2003, and EBI's market share by value in these segments was 12.6% and 37.4%, respectively, for June 2004 in the Moscow region and 11.1% and 22.8%, respectively, for June 2004 in Russia. Further, EBI has introduced additional new products within segments that represent significant further growth opportunities. For example, in Russia, sales of polyethylene terephthalate ("PET") packaged beer products grew from 29.2% in June 2001 to 41.8% in June 2004 in terms of volume. To benefit from this trend EBI introduced its mid-priced *Beliy Medved* brand (meaning "White Bear") in 2003, whose PET sales volume was approximately 62.4% of the brand's sales volume for that year.
 - **Expertise in managing organic growth and integrating acquisitions.** EBI has a track record of over seven years of successfully managing rapid organic growth and integrating new acquisitions into its production. EBI has grown through a combination of strategic acquisitions, greenfield developments and modular expansion of its brewing facilities, demonstrating its ability to apply the know-how within Efes Beverage Group, while developing its own experience and expertise in managing growth. This expertise and know-how is transferred to EBI through long-term management

and technical support agreements between Efes Beverage Group and the Operating Companies. See “Description of Business — Efes Beverage Group Support” and “Related Party Transactions”.

- **Quality and experience of Management.** Management believes that it has a distinct advantage over competitors because of its accumulated experience in the Territories, and the length of time that many members of Management have worked together. Locally recruited managers have been trained in the Efes Beverage Group system and culture and have been promoted to senior positions across EBI. EBI actively recruits from leading international companies in each of the Territories and places special emphasis on in-house training of new recruits.

Strategy

EBI's current long-term strategic goal is to be one of the leading brewers in the region extending from the Adriatic Sea to the borders of the People's Republic of China. To achieve this goal, EBI will continue to pursue a strategy aimed at increasing revenue and profits, including:

- **Capitalise on the growth of the beer market in the Territories.** As the beer market grows in the Territories, EBI intends to support increased demand for its products by:
 - (i) increasing the production capacity of its existing brewing facilities through the installation of additional production lines to create production centres serving areas with demonstrated growth potential. For example, EBI has recently expanded the annual capacity of its Moscow brewery from approximately 3.0 million hectolitres to approximately 4.5 million hectolitres, and plans to make a follow-up investment in the Almaty plant in 2006, which, if made, will double its annual capacity to approximately 1.2 million hectolitres. The expanded plant in Almaty will not only support sales in the Almaty region, but will also allow EBI to better position and distribute its beer products in southern Kazakhstan;
 - (ii) establishing additional breweries in the Territories, through acquisition or greenfield construction, where attractive opportunities are identified, such as the completed acquisition of a brewery in Ufa, Russia and the establishment of the greenfield breweries in Rostov, Russia and in Almaty, Kazakhstan in 2003 and the acquisition in September 2004 of a second brewery in Zaječar, Serbia; and
 - (iii) expanding its distribution system. EBI seeks continuously to expand its product distribution in the Territories through a combination of: strategic placement of production centres in order to carry out direct distribution in high density population areas; use of Efes Beverage Group's distribution network where possible; and fostering preferential relationships with authorised dealers in other geographic areas. For example, EBI will further develop its direct order taking and direct and indirect distribution in high-density population areas like Moscow, Russia and Chisinau, Moldova; in Kazakhstan it will largely continue to use the existing distribution network of Efes Beverage Group; and in other areas it will continue to rely on authorised dealers while deploying on-the-ground sales managers to monitor distribution and promote relationships with local authorised dealers.
- **Expand into new countries.** EBI intends to explore acquisition, alliance and greenfield opportunities in other countries in proximity to the Territories where EBI believes it can develop successful brewing operations. To that end, EBI acquired breweries in Moldova and Serbia in 2003 and recently acquired, in September 2004, a second brewery in Serbia. Through acquisitions of strong local businesses, EBI is able to gain access to established breweries, brands and distribution networks in new markets that will provide a platform to facilitate growth. Management believes that the existing sales and marketing organisation of such companies will help EBI to address local environments more rapidly. However, if EBI cannot find suitable targets for strategic alliances, acquisitions or joint ventures, it plans to undertake greenfield projects.
- **Focus on high margin and growing segments.** EBI focuses on the most profitable segments or those with the highest growth potential in the beer markets in the Territories. EBI intends to

capitalise on the continuing and accelerating shift in consumer demand in the Territories from low quality beer products to premium beer, which is fuelled by growing disposable income. EBI seeks to maintain a higher market share by value than by sales volume. To this end, EBI has positioned most of its products in the local premium segment of the market, and also offers *Efes Pilsener* as a licensed brand. These products generally have higher margins than those in the mid-priced segment, and Management believes that these products will continue to capture an increasing share of the overall beer market in the Territories.

- **Continue to create and invest in brands and pursue aggressive marketing campaigns.** EBI views its brand portfolio as a key asset, as brand perception is a critical factor in a consumer's choice of beer. The Operating Companies make extensive use of advertising, using appropriate media channels, and sponsor sports, including football (soccer), ice figure skating and basketball, and cultural events such as music concerts. EBI intends to continue to promote its brands extensively in order to further increase brand awareness and customer loyalty across the Territories with the objective of gaining market share.

The Offering

| | |
|--|--|
| The Offering | The Offering comprises 7,657,450 GDRs, representing 25,676,200 new Shares (the “New Shares”) to be issued by the Company and 12,611,050 existing Shares (the “Existing Shares”) to be sold by the Selling Shareholders. The GDRs are being offered (a) to certain QIBs in the United States in the form of Rule 144A GDRs in reliance on Rule 144A; and (b) outside the United States to non-US persons in the form of Regulation S GDRs in reliance on Regulation S. |
| Over-allotment Option | The Selling Shareholders have granted the Over-allotment Option to CSFB exercisable within 30 days after the Closing Date, to purchase a maximum of 3,482,815 additional Shares in the form of GDRs solely to cover over-allotments, if any, in the Offering and/or to cover short positions relating to stabilisation activities. See “Transfer Restrictions, Selling Restrictions and Settlement” and “Subscription and Sale”. |
| Offer Price | US\$23.25 per GDR. |
| The GDRs | Each GDR will represent five Shares. The GDRs will be delivered by the Depositary under the Deposit Agreement. The Regulation S GDRs will be evidenced by the Master Regulation S GDR, the Master Rule 144A GDRs will be evidenced by the Master Rule 144A GDR, and both Master GDRs will be issued pursuant to the Deposit Agreement. See “Summary of Provisions Relating to the GDRs while in Master Form”. |
| Depositary | The Bank of New York. |
| The Share Capital and Capital Increase | <p>Immediately prior to the closing of the Offering on the Closing Date (the “Closing”), the Company’s issued and outstanding share capital will consist of 122,323,800 ordinary shares with a nominal value of €1.00 per share (the “Existing Share Capital”). In connection with the Offering, the Company has authorised the issue of up to an additional 25,676,200 ordinary shares with a nominal value of €1.00 per share (the “Capital Increase”). After the Closing, the Company’s issued and outstanding share capital will consist of 148,000,000 ordinary shares with a nominal value of €1.00 per share. See “Description of Share Capital and Corporate Structure”.</p> <p>The Company and the Selling Shareholders have agreed with the Managers that, during the period beginning with the date of the Underwriting Agreement (as defined in “Subscription and Sale”) and continuing to, and including the date 180 days after the Closing Date, they will not offer, issue, sell, contract to sell, pledge (or charge in respect of the Selling Shareholders), grant options over or otherwise dispose of any securities (or publicly announce any such issuance, offer, sale or disposal) of the Company that are substantially similar to the Shares or GDRs, without the prior written consent of CSFB (such consent not to be unreasonably withheld or delayed), otherwise than pursuant to the terms of the Underwriting Agreement.</p> <p>Anadolu Efes and certain members of the Supervisory Board and the Management Board (each such term as hereafter defined) and/or connected persons have agreed, pursuant to lock-up letters (the “Lock-up Letters”) with the Managers that, during the period beginning</p> |

with the date of the Underwriting Agreement (as defined in “Subscription and Sale”) and continuing to, and including the date 365 days after the Closing Date, they will not offer, issue, sell, contract to sell, pledge, grant options over or otherwise dispose of any securities (or publicly announce any such issuance, offer, sale or disposal) of the Company that are substantially similar to the Shares or GDRs, without the prior written consent of CSFB (such consent not to be unreasonably withheld or delayed) otherwise than pursuant to the terms of the Lock-up Letters.

The Selling Shareholders

Balkan Beverages S.a.r.l
European Bank for Reconstruction and Development
CTC-Emerging Markets Investors Fund
Kodak Retirement Income Plan: Emerging Markets
The Emerging Markets Strategic Fund
Templeton Strategic Emerging Markets Fund LDC
The President and Fellows of Harvard College
Yale University – Emerging Markets Management
Stichting A-Star Management Group
Keough Partners L.P.
Kodak Pension Plan

Following the Offering, the Selling Shareholders will own, collectively, approximately 3.9% of the Company’s issued and outstanding share capital and Anadolu Efes will own approximately 70.2% of the Company’s issued and outstanding share capital (or 1.6% and 70.2%, respectively, assuming the Over-Allotment Option is exercised in full).

Voting Rights

The Shares are subject to applicable provisions of Dutch corporate law and the articles of association of the Company in effect after the Closing Date (the “Articles”). The Depositary will endeavour to exercise on behalf of holders of GDRs, at any meeting of holders of the Shares of which the Depositary receives timely notice, the voting rights relating to the Shares underlying the GDRs in accordance with instructions it receives from holders of GDRs, but only if the Company notifies the Depositary of the resolution to be voted upon. Otherwise, the Depositary will not exercise the voting rights attaching to the deposited Shares. See “Terms and Conditions of GDRs — Voting Rights”.

Dividends

Holders of Shares, including the Depositary, will be entitled to receive amounts (if any) paid by the Company as dividends on the Shares, as of the date of issuance. However, the Company at present does not intend to pay dividends on its shares in respect of its financial year ending 31 December 2004 and for the foreseeable future. See “Dividend Policy”.

Taxation

For a discussion of certain Dutch, U.S. federal income tax and United Kingdom tax consequences of purchasing and holding the GDRs, see “Taxation”.

Use of Proceeds

The proceeds to the Company, net of underwriting commissions, fees and estimated expenses are expected to be approximately US\$113.3 million. The Company intends to use its net proceeds of the Offering to finance further growth and for general corporate purposes. The Company will not receive any proceeds from the Shares sold by the Selling Shareholders. See “Use of Proceeds”.

- Listing and Trading Application has been made (i) to the UKLA for the GDRs to be admitted to the Official List of the UKLA; (ii) to the London Stock Exchange for the GDRs to be traded through the IOB; and (iii) for the Rule 144A GDRs to be designated as eligible for trading on PORTAL. Prior to the Closing Date, there has not been any public market for the Shares or the GDRs. It is expected that conditional trading in the Regulation S GDRs through the IOB and in the Rule 144A GDRs on PORTAL will commence on a “when issued” basis on or about 15 October 2004, and unconditional trading in the Regulation S GDRs on the London Stock Exchange through the IOB and in the Rule 144A GDRs on PORTAL will commence on or about 21 October 2004. **The Shares have not been, and are not expected to be, listed on any stock exchange.**
- Payment and Settlement Application will be made to have the Regulation S GDRs accepted for clearance through the book-entry settlement systems of DTC, Euroclear and Clearstream, Luxembourg and the Rule 144A GDRs accepted for clearance through DTC. Payment for, and delivery of, the Regulation S GDRs will be made on or about 20 October 2004 through the facilities of Euroclear and Clearstream, Luxembourg. Payment for, and delivery of, the Rule 144A GDRs will be made on or about 20 October 2004 through the facilities of DTC. The security identification numbers of the GDRs offered hereby are as follows:
- Regulation S GDRs ISIN: US26843E2046
Regulation S GDRs Common Code: 020115211
Regulation S GDRs CUSIP Number: 26843E204
- Rule 144A GDRs ISIN: US26843E1055
Rule 144A GDRs CUSIP Number: 26843E105
- Risk Factors Before making any investment decision in respect of the GDRs, prospective investors should consider carefully the factors and risks attached to an investment in the GDRs, including the information set forth under “Risk Factors”.

Summary Consolidated Financial Data

The following information (other than operational data) has been extracted or derived from, and should be read in conjunction with, the Financial Statements included elsewhere in this Offering Circular.

| | Year Ended 31 December | | | Six Months Ended 30 June | |
|--|------------------------|---------------|---------------|--------------------------|---------------|
| | 2001 | 2002 | 2003 | 2003 | 2004 |
| <i>(US\$ thousands, except percentages, operational data and earnings per share)</i> | | | | | |
| INCOME STATEMENT DATA | | | | | |
| Sales | 102,620 | 160,110 | 264,119 | 106,236 | 184,425 |
| Cost of sales | (57,841) | (84,290) | (136,322) | (53,955) | (95,363) |
| Gross profit | 44,779 | 75,820 | 127,797 | 52,281 | 89,062 |
| Gross margin (as % of net sales) | 43.6% | 47.4% | 48.4% | 49.2% | 48.3% |
| Operating expenses | 32,435 | 54,030 | 91,932 | 38,623 | 64,588 |
| Operating income | 12,344 | 21,790 | 35,865 | 13,658 | 24,474 |
| Operating margin (as % of net sales) | 12.0% | 13.6% | 13.6% | 12.9% | 13.3% |
| Other income/(expense) — net | 795 | (441) | 29,342 | 727 | (2,446) |
| Financial income/(expense) — net | (9,483) | (4,026) | (1,268) | 575 | (1,439) |
| Gain on net monetary position | 6,342 | 5,804 | — | — | — |
| Profit before tax | 9,998 | 23,127 | 63,939 | 14,960 | 20,589 |
| Income tax | 5,205 | (5,871) | (8,150) | (1,310) | (5,438) |
| Minority interest | (4,237) | (1,147) | (2,663) | (832) | (2,977) |
| Net profit | <u>10,966</u> | <u>16,109</u> | <u>53,126</u> | <u>12,818</u> | <u>12,174</u> |
| EBITDA ⁽¹⁾ | <u>22,582</u> | <u>35,956</u> | <u>63,781</u> | <u>24,244</u> | <u>41,699</u> |
| OPERATIONAL DATA | | | | | |
| Sales volume in millions of hectolitres: | | | | | |
| Efes Russia | 1.59 | 2.09 | 3.33 | 1.24 | 2.39 |
| Efes Moldova | — | — | 0.83 | 0.35 | 0.44 |
| Efes Kazakhstan | — | 0.44 | 0.50 | 0.23 | 0.30 |
| Interbrew Efes Romania ⁽²⁾ | 0.49 | 0.52 | 0.54 | 0.28 | 0.24 |
| Efes Ukraine ⁽³⁾ | 0.07 | 0.12 | 0.09 | 0.05 | — |
| Efes Serbia | — | — | 0.04 | — | 0.15 |
| Intercompany eliminations | — | — | (0.03) | (0.02) | (0.01) |
| Total | <u>2.15</u> | <u>3.17</u> | <u>5.30</u> | <u>2.13</u> | <u>3.51</u> |
| OTHER DATA | | | | | |
| Capital expenditure ⁽⁴⁾ | 21,677 | 65,465 | 88,368 | 39,609 | 33,097 |
| Cash flow from operating activities ⁽⁵⁾ | (596) | 23,039 | 44,203 | 21,718 | 36,285 |
| Earnings per share ⁽⁶⁾ | 13.4 | 14.3 | 43.7 | 10.6 | 10.0 |

(1) EBITDA here means earnings before interest (financial income/(expense) — net), tax, depreciation and amortisation, minus gain on net monetary position, minus minority interest, minus gain on sale of subsidiaries and investment in securities, minus recognition of currency translation due to dilution at subsidiaries, plus provision for bad debt, plus provision for inventories, minus income recognised from reversal of provision for bad debt, minus income recognised from reversal of provisions for inventories, plus impairment in property, plant and equipment. EBITDA is not a measurement of performance under IFRS and should not be considered as an alternative to (a) operating profit (loss) or net profit (loss) (as determined in accordance with IFRS), or as a measure of EBI's operating performance, (b) cash flows from operating, investing or financing activities (as determined in accordance with IFRS), or as a measure of EBI's ability to meet cash needs, or (c) any other measures of performance under IFRS. EBITDA may not be indicative of EBI's historical operating results, nor is it meant to be a projection or forecast of future results. Management believes that EBITDA is a measure commonly reported and widely used by investors in comparing performance without regard to depreciation, which can vary significantly depending upon accounting methods, interest expense or taxation, or non-operating factors. Accordingly, EBITDA has been disclosed in this Offering Circular to permit a more complete and comprehensive analysis of EBI's operating performance relative to other companies operating in EBI's markets. Because companies do not calculate EBITDA identically, EBI's presentation of EBITDA may not be comparable to similarly titled measures used by other companies.

(2) Represents 50.0% of the total figure for Interbrew Efes Romania, equal to EBI's direct and indirect ownership interest in the joint venture plus a de minimus ownership interest held by Anadolu Efes.

- (3) Efes Ukraine ceased commercial activities in May 2004 and is currently in the process of being sold.
- (4) 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).
- (5) Cash flow from operating activities means net cash provided by operating activities.
- (6) In U.S. dollars. Earnings per share have been calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period.

| | Year Ended 31 December | | | Six Months Ended 30 June |
|---|------------------------|---------|---------|--------------------------------|
| | 2001 | 2002 | 2003 | 2004 |
| | (US\$ thousands) | | | |
| BALANCE SHEET DATA | | | | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | 24,392 | 38,974 | 32,677 | 31,282 |
| Trade and other receivables | 5,542 | 10,026 | 17,700 | 26,032 |
| Receivables due from related parties | 2,815 | 4,995 | 4,616 | 3,693 |
| Inventories | 15,130 | 17,410 | 37,798 | 43,084 |
| Prepayments and other current assets | 7,167 | 13,240 | 15,351 | 20,446 |
| Total current assets | 55,046 | 84,645 | 108,142 | 124,537 |
| Non-current assets: | | | | |
| Investments in securities | 3,064 | 3,064 | 1,754 | 1,756 |
| Property, plant and equipment | 130,535 | 190,039 | 267,639 | 286,643 |
| Intangible assets | 2,390 | 3,555 | 65,266 | 64,215 |
| Deferred tax assets | — | — | 3,361 | 3,795 |
| Prepayment and other non-current assets | 967 | 1,701 | 2,442 | 2,300 |
| Total non-current assets | 136,956 | 198,359 | 340,462 | 358,709 |
| Total assets | 192,002 | 283,004 | 448,604 | 483,246 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Trade and other payables | 12,862 | 16,134 | 30,890 | 46,087 |
| Payables due to related parties | 5,420 | 7,393 | 13,751 | 16,124 |
| Short-term borrowings | 16,280 | 23,245 | 32,769 | 29,991 |
| Current portion of long-term borrowings | 11,531 | 10,950 | 12,960 | 16,415 |
| Income tax payable | 1,530 | — | 491 | 2,572 |
| Total current liabilities | 47,623 | 57,722 | 90,861 | 111,189 |
| Non-current liabilities: | | | | |
| Long-term borrowings-net of current portion | 30,420 | 36,718 | 71,534 | 62,105 |
| Deferred tax liability | 4,096 | 9,040 | 12,087 | 10,783 |
| Other non-current liabilities | 1,911 | 1,667 | 1,277 | 4,539 |
| Total non-current liabilities | 36,427 | 47,425 | 84,898 | 77,427 |
| Minority interest | 19,545 | 25,760 | 53,781 | 60,518 |
| Equity: | | | | |
| Issued capital | 95,936 | 121,641 | 124,630 | 124,630 |
| Share premium | — | 18,671 | 21,567 | 21,567 |
| Currency translation reserve | 2,661 | 8,581 | 16,537 | 19,411 |
| Legal reserves and accumulated profit/(deficit) | (10,190) | 3,204 | 56,330 | 68,504 |
| Total equity | 88,407 | 152,097 | 219,064 | 234,112 |
| Total liabilities and equity | 192,002 | 283,004 | 448,604 | 483,246 |

RISK FACTORS

Any investment in the GDRs is subject to a number of risks. Before making any investment decision, prospective investors in the GDRs should consider carefully the factors and risks attached to an investment in the GDRs, including, in particular, the Risk Factors described below, together with all other information contained in this Offering Circular. The information does not purport to be exhaustive. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also have an adverse effect on its business. Investors should consider carefully whether an investment in the GDRs is suitable for them in light, among other things, of the information in this Offering Circular and their personal circumstances.

Risks Relating to The Territories

Political Instability in the Territories May Adversely Affect EBI's Business or Financial Condition

Since the dissolution of the Soviet Union, each of the Territories has implemented market-based economic reforms, although the approach to, extent of, and rate of implementing such reforms has varied.

Although in recent years there has been a general improvement in economic indicators, there can be no assurance that the political and economic reforms necessary to complete the transition from centrally-planned to market-based economies will continue to be implemented. The political system of each of the Territories is susceptible to periods of instability resulting from reform, social and ethnic unrest and rapid changes in government policies, any of which could have a material adverse effect on the activities of EBI.

For example, according to some observers, Russia is currently facing a time of relative political uncertainty. According to some observers, the arrest and pre-trial imprisonment of Mikhail Khodorkovsky, until recently the CEO and largest shareholder of Yukos Oil Company, Russia's largest oil company, in October 2003 and of his business associate Platon Lebedev in July 2003, both in connection with alleged tax evasion and an allegedly fraudulent privatisation of a fertilizer plant, may foreshadow a general re-examination of the Russian privatisation process of the 1990s by the federal authorities. The policies pursued by the re-elected president, the agenda set by the new Duma and any re-examination of the Russian privatisation process of the 1990s could have significant consequences for the Russian economy. The value of EBI's investments in Russia and EBI's business prospects there could be harmed if there is governmental instability or if the course of reform policies does not continue.

In each of the Territories, the various government institutions and the relations between them, as well as the governments' policies, are subject to rapid change. Furthermore, political and economic changes in the Territories have resulted in significant dislocations of authority, as previously existing structures have collapsed. Additionally, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions, and, in certain cases, to military conflict. Russian military forces, for example, have been engaged in Chechnya in the past and are currently involved in ground and air operations there. Violence and attacks relating to this conflict have also spread to other parts of Russia, including several terrorist attacks carried out in recent years. The spread of violence and terrorism, or its intensification, could have significant political and economic consequences including the imposition of a state of emergency in some or all of Russia. While EBI has not been materially adversely affected by these factors to date, no assurance can be given that political instability and uncertainty and violence will not in the future have a material adverse effect on EBI.

Economic Deterioration or Instability in the Territories May Adversely Affect EBI's Business or Financial Condition

The governments of each of the Territories have at times implemented policies of economic reform and stabilisation. These policies have, for example, involved liberalising prices, reducing defence expenditure and subsidies for state-owned enterprises, privatising state-owned enterprises, reforming the tax and bankruptcy systems, and introducing legal structures designed to permit private, market-based activities and foreign trade and investment. While these policies have met with some success, there can be no assurance that such policies will continue to be pursued, or that, if pursued, they will be successful.

A sustained decline in oil prices might also negatively affect Efes Russia and Efes Kazakhstan, and therefore EBI, 76.8% and 7.8% of whose consolidated net sales were derived from Efes Russia and Efes Kazakhstan, respectively, for 2003. The Russian and Kazakh economies and the health of government finances remain highly dependent on oil exports and international oil prices. A sustained decline in oil price could slow or disrupt the Russian and Kazakh economies, which could have an effect on disposable income and therefore consumption levels of products like premium beer, materially adversely affecting Efes Russia and Efes Kazakhstan, and thus EBI.

The economies of the Territories have in the past been characterised by declining industrial production, significant inflation, rising unemployment and underemployment, unstable currencies and moderate to high government borrowing requirements relative to GDP. Although in recent years the Territories have experienced GDP growth and their currencies have remained stable, there can be no assurance that economic conditions will not deteriorate. The average disposable incomes of the populations of the Territories are still considerably lower than in certain other, more developed, markets and this may adversely affect the ability of EBI to sell its products. No assurance can be given that the economies in the Territories will continue to improve. Economic deterioration in the Territories could have a material adverse effect on EBI's business, financial condition or results of operations.

The economies of the Territories have been characterised by a significant degree of state ownership of industry and low monetary liquidity. This illiquidity has led to a failure on the part of many employers, particularly in the state sector, to pay employees regularly. The failure of many state-controlled and other enterprises to pay full salaries on a regular basis, and the failure of salaries and benefits generally to keep pace with the rapidly-increasing cost of living, have led in the past, and could lead in the future, to labour and social unrest. Such labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism (with restrictions on foreign involvement in the economies of the Territories) and increased violence, any of which could in the future have a material adverse effect on EBI.

Exchange Controls and Repatriation Restrictions May Adversely Affect EBI's Business or Financial Condition, and Its Ability to Pay Dividends

As a result of legislation in force in some of the Territories relating to investments by foreign companies, there are limits on the ability of some of the Operating Companies to convert local currency into U.S. dollars (and other hard currencies) or vice versa. The inability of, or restrictions on the ability of, the Operating Companies to convert local currency into U.S. dollars could restrict their ability to pay suppliers in their currency of choice, and impede or restrict Operating Companies with present or future indebtedness from making interest or principal payments in respect of such indebtedness. No assurance can be given that the foreign investment and currency legislation of the Territories will continue to permit repatriation of net income or capital from the Operating Companies. Furthermore, no assurance can be given that further restrictions will not be imposed on the conversion of earnings into U.S. dollars or other hard currencies for the purposes of payments to suppliers or others, on dividend payments or on the repatriation of capital. If any such further restrictions were imposed, they would have a material adverse effect on the ability of the Company to realise its investment in the Operating Companies and to pay dividends.

Immaturity of Legal Systems, Processes and Practice May Adversely Affect EBI's Business or Financial Condition

Risks associated with the legal systems of the Territories include, to varying degrees (i) inconsistencies between and among laws, presidential decrees, edicts, and governmental and ministerial orders and resolutions; (ii) conflicting local, regional and federal rules and regulations; (iii) the lack of judicial or administrative guidance on interpreting the applicable rules; (iv) the untested nature of the independence of the judiciary and its immunity from economic or political influences; (v) the relative inexperience of jurists, judges and courts in interpreting recently enacted legislation and complex commercial arrangements; (vi) a high degree of discretion on the part of governmental authorities; and (vii) a lack of binding judicial

precedents. There is no guarantee that EBI or any other claimant would obtain effective legal redress from any court or tribunal in the Territories.

The recent enactment of many laws, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the legal systems in ways that may not always coincide with market developments have resulted in ambiguities, inconsistencies and anomalies and the enactment of laws and regulations without a clear constitutional or legislative basis, that give rise to investment risks that do not exist in more developed legal systems. In addition, legislation in the Territories often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. Furthermore, not all legislation is published and available for review. Legislation has been enacted in each of the Territories to protect private property against expropriation and nationalisation. However, due to the lack of experience in enforcing these provisions in the short time they have been in effect and due to potential political changes in the future, there can be no assurance that such protections would be enforced in the event of an attempted expropriation or nationalisation. No assurance can be given that the future development of the laws and legal systems of the Territories will not have a material adverse effect on EBI.

Legal and Regulatory Burdens May Adversely Affect EBI's Business or Financial Condition

A large part of EBI's business is subject to laws that affect its operations, including laws and regulations relating to employment, health, sanitation, alcoholic beverage control and safety standards. These laws and regulations impose a significant administrative burden on EBI and its retailers and additional or more stringent requirements could be imposed in the future.

The Territories are in a state of structural, economic and political transition and their regulatory regimes are at an early stage of development. Many regulations applicable to the Operating Companies have only recently been enacted and there is uncertainty regarding their interpretation and enforcement. Government officials and other representatives from national, regional and local bodies in the Territories who are responsible for administering and enforcing regulatory regimes often have little experience in analysing regulatory issues arising from international commercial transactions and are unfamiliar with legal terminology and commercial practices customarily associated with such transactions.

The regulations in certain of the Territories concerning environmental protection are unclear and purport to be of retrospective application. While the manner in which environmental regulations are likely to be applied is uncertain, no assurance can be given that the Operating Companies will not be subject to retrospective liability under such regulations for any environmental damage at premises owned or operated by them, irrespective of whether such damage was caused by them.

Regulatory uncertainty may make it difficult for EBI to plan investments or conduct its business in the Territories. Failure by the Operating Companies to obtain necessary approvals or licenses or to make payments under regulations could delay EBI's expansion plans or entry into new markets, require EBI to incur additional, unanticipated expenditures, cause delays in production or result in liability for fines and penalties. Although Management expects that EBI currently holds all material licences necessary for its existing operations and will obtain all necessary approvals and licences required in connection with its expansion plans, no assurance can be given in this regard, and any failure to obtain such approvals or licences may have a material adverse effect on EBI.

Uncertainties About the Reliability of Statistical Information Make Business Planning Inherently Uncertain and May Adversely Affect EBI's Business or Financial Condition

Official data published by federal, regional and local governments and agencies in the Territories are substantially less complete and reliable than those of other, more developed countries and there can be no assurance that the official sources from which certain of the information set forth herein has been drawn are reliable. Official statistics may also be produced on different bases to those used in more developed countries. Due to the unavailability of alternative, reliable sources of country-specific statistics, EBI necessarily relies to some extent on official data in its business planning. In addition, any discussion of matters relating to the

Territories herein is subject to uncertainty due to concerns about the completeness and reliability of available official and public information. Therefore, assumptions made by EBI in its business plans may prove to be incorrect, which could have a material adverse effect on EBI.

Crime and Corruption in the Territories Could Disrupt EBI's Ability to Conduct Business and Could Materially Adversely Affect its Business or Financial Condition

The political and economic changes in the Territories since the early 1990s have resulted in reduced policing of society and increased lawlessness, including organised criminal activity. In addition, bribery in business is widespread and difficult to avoid. Government officials have engaged in selective investigations and prosecutions to further the commercial interest of the government and individual officials. EBI has a policy of avoiding questionable practices. Any allegations of involvement in such practices will pose a risk of prosecution and of possible criminal or administrative liability. Additionally, a significant portion of the media, particularly in Russia, regularly publishes slanted articles in return for payment. Any of the foregoing could have a material adverse effect on EBI and the price of the GDRs.

The Unreliability of the Russian Railway System, Fluctuations in Tariffs and Efes Russia's Reliance on Rail Freight Could Adversely Affect EBI's Business or Financial Condition

Efes Russia currently relies to a significant extent on the rail freight network operated by OAO Russian Railways, a state-owned company, for deliveries of its products to its distributors in many parts of Russia and in particular east of the Urals. The Russian railway system is subject to risks of disruption as a result of the declining physical condition of the facilities, a shortage of rail cars, the limited capacity of border stations and load shedding, including those due to poorly maintained rail cars and train collisions. Railway tariffs for freight increased by approximately 41.0% in 2002 and 12.0% in 2003, resulting in significant increases in transportation costs. Although Efes Russia has taken steps, including purchasing its own rail cars, to reduce the risk of disruption and to reduce its dependence on rail freight, a significant increase in rail freight or other transportation costs could have a material adverse effect on Efes Russia and consequently on EBI.

Risks Relating to EBI's Industry

EBI Faces Significant Competition That Could Lead to a Reduction of Market Share and/or Price and a Decline in Profitability

The beer industry is highly competitive. Breweries compete mainly on the basis of brand image, price, distribution networks and, particularly in emerging markets, including the Territories, product quality. Although globally the beer industry is not highly concentrated, in most national markets two or three local brewers account for a very large majority of the market and international brands and smaller local brewers take up the remainder. The growth in beer consumption in the Territories has attracted new market participants and has produced increasingly competitive environments in certain of these markets. The participants in these markets include major international beer companies with substantial financial resources greater than EBI's and particular industry strengths. EBI intends to continue with strategies designed to maintain or improve its competitive position in the Territories but there cannot be any assurance that these strategies will be successful. Any loss of market share could be permanent. Loss of market share to competitors, investment pressure to maintain a competitive position, or aggressive price discounting could have a material adverse effect on EBI. See "The Brewing Industry" and "Description of Business — Competition".

A Decline in Consumer Demand for Beer Would Adversely Affect EBI's Turnover and Its Profitability

Demand for beer depends on several factors including demographic factors, weather conditions and consumer preferences as well as factors relating to discretionary consumer spending, including the general condition of the economy and general levels of consumer confidence, particularly in emerging markets. Imposition of, or increases in, excise or other taxes on beer could negatively affect the brewing industry with increased prices for consumers. Moreover, relatively cool summer temperatures in the Territories may

substantially reduce sales of beer and thus may have a material adverse effect on EBI's results of operations. Reduced consumption of beer in any of the Territories could have a material adverse effect on EBI.

Restrictions on Beer Advertising, Sales or Consumption May Adversely Affect EBI's Business or Financial Condition

The implementation of restrictions on, or the prohibition of, beer advertising in the mass media or certain sales channels could have a material adverse effect on the results of operations of EBI. For example, on 20 August 2004, President Putin of Russia signed a bill placing restrictions on beer advertising. Those restrictions include, among other things, a ban on the broadcasting of beer commercials on television and radio between 7 a.m. and 10 p.m., a prohibition on the promotion of beer as being "crucial in achieving success in sports and personal life" and a prohibition on the use of images of people or animals on beer advertising. The provisions of the new law took effect on 5 September 2004, with the exception of the restriction on the use of images of people or animals, which becomes effective on 1 January 2005. Kazakhstan has also imposed a complete prohibition, which became effective on 1 January 2004, on alcohol advertising in the mass media. As a result of this legislation, growth in each of those beer markets could be materially adversely affected, and new product development could become more challenging, which could have a material adverse effect on EBI. In addition, proposals are currently being considered by the Russian Parliament that, if brought into law, would place restrictions on the sale of beer, including imposing a minimum legal age of 18 years for the purchase of alcoholic beer, and its consumption in public places. Any such legislation, if brought into law, might have a material adverse effect on the Russian beer market in general and on EBI.

An Increase in the Prices of Certain Commodities and Raw Materials in the Market Could Result in Increased Costs for EBI

EBI purchases commodities and raw materials for the production of beer. These commodities and raw materials include barley, malt, aluminium cans and PET containers and, to a lesser extent, corn grits, rice and hops. Although EBI produces malt in large quantities the Operating Companies depend to varying degrees on third party supplies of malt. The prices of all these commodities can fluctuate widely and are determined by global supply and demand and other factors over which EBI has no control. EBI rarely engages in hedging of raw material costs. Accordingly any increases in commodity and raw material prices could have a direct and significant impact on EBI's costs, which could have a material adverse effect on EBI.

Contamination of EBI's Products Could Hurt EBI's Reputation and Depress its Turnover

A risk of contamination or deterioration exists at each stage of the production cycle, including the production and delivery of raw materials, the brewing and packaging of beer, the stocking and delivery of beer to distributors and retailers, and the storage and shelving of beer products at the points of final sale. Actual or alleged contamination or deterioration of EBI's beer products could have a material adverse effect on EBI.

EBI May Not Be Able to Protect its Intellectual Property Rights Adequately and its Use of Certain Trademarks May Be Challenged

Given the importance of brand recognition to its business, EBI has invested considerable effort in protecting its portfolio of intellectual property rights, including trademark registration and domain names. However, EBI cannot be certain that the steps it has taken will be sufficient or that third parties will not infringe or misappropriate its proprietary rights. Moreover, some of the countries in which EBI operates offer less intellectual property protection than Western Europe or North America. In addition, although Efes Russia entered into an agreement with Efes Holland for use of the "Efes" trademarks in 1998, which are currently registered in Russia in the name of Anadolu Efes, neither that agreement nor the agreement between Anadolu Efes and Efes Holland Technical Management and Consultancy B.V. ("Efes Holland"), an affiliate of Anadolu Efes, licencing the "Efes" trademarks to Efes Holland, were registered with the Russian Federal Service on Intellectual Property, Patents and Trademarks (the "FSIP") and are therefore not enforceable in

Russia. However, Efes Holland is currently concluding an amendment to its trademark agreement with Anadolu Efes and Efes Russia recently concluded a new trademark agreement with Efes Holland for the use of the “Efes” trademarks and Management anticipates that such agreements should be registered with the FSIP in the next few months. EBI’s trademarks are described under “Description of Business — Intellectual Property Rights”. If EBI were unable to adequately protect its proprietary rights, EBI could be materially adversely affected.

Risks Relating to EBI

EBI’s Continued Success May Depend on Its Ability to Manage Growth and Integrate Any Acquired Businesses

Management expects that, in line with trends in Western Europe and other parts of the world, consolidation of the beer industry will continue and even accelerate in the Territories. EBI’s ability to participate in the consolidation of the beer industry in the countries in which it operates, in order to benefit from further economies of scale, better satisfy customer needs and compete effectively against other international brewers, will depend upon its ability to assess, and to adjust its rate of expansion in accordance with, demand for beer products within the Territories and other parts of the CIS, the Balkans and Eastern Europe. Although to date EBI has been able to manage successfully the growth of its business, there can be no assurance that EBI will continue to be able to do so, that it will achieve the planned growth or that expanded or additional breweries will operate profitably. If EBI is unable to manage growth effectively, including, among other things, by finding qualified management or deploying and replicating its business model and technical infrastructure, its business or financial condition could be materially adversely affected.

Although EBI’s strategy includes growth through acquisitions, its failure to find suitable acquisition targets, to implement successfully their acquisition, to finance them on acceptable terms or to integrate them into its existing operations, could have a material adverse effect on EBI.

EBI’s Ability to Implement Its Investment Programme Depends on Its Ability to Generate Enough Cash and to Obtain External Financing

The planned development of EBI’s business and implementation of its proposed investment programme are dependent on EBI’s ability to generate sufficient cashflow from its operations and to obtain bank or other debt financing on acceptable terms to finance such programme. EBI currently plans to make investments in new production facilities and acquisitions for the foreseeable future. Although Management believes that the net proceeds from the Offering, together with cashflow from EBI’s operations and borrowings from financial institutions, will be sufficient to fund its planned expenditures for the foreseeable future, there can be no assurance in this regard. If EBI is not successful in generating sufficient cashflow or obtaining sufficient capital to fund its planned expenditures, it may need to raise additional equity finance or some or all of its planned investments may be significantly delayed or abandoned. Any such delay or abandonment could have a material adverse effect on EBI.

The Company’s Ability to Pay Dividends and to Service its Debt Obligations Depends Primarily Upon Receipt of Sufficient Funds from the Operating Companies

Because the Company is a holding entity, its ability to pay dividends and service any debt obligations depends primarily upon receipt of sufficient funds from Operating Companies. Furthermore, the payment of dividends by the Operating Companies is, in certain instances, subject to statutory restrictions, currency, exchange and other controls and restrictive debt covenants, including, for example, legal reserve requirements and capital and retained earnings criteria, and is contingent upon the earnings and cash flow of, and permitted borrowings by, those subsidiaries. In particular, the Company’s ability to pay dividends may be restricted pursuant to the terms of the loan received by it from the Black Sea Trade and Development Bank (“BSTDB”) and the receipt of dividends or other payments by the Company from Efes Russia and Efes Kazakhstan is restricted pursuant to the terms of agreements in connection with loans to those Operating Companies from the EBRD. The inability on the part of some of the Operating Companies to pay dividends would impact the amount of funds available to the Company to pay dividends and service its debt obligations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Cash Flow, Liquidity and Capital Resources — Borrowing Facilities”. In addition, the principal revenue of EBI is

generated by the Operating Companies in the currency of the applicable Territory. Although Management intends to convert such revenue into U.S. dollars or other foreign currencies, no assurance may be given that EBI will succeed in converting such revenue, or, if able to do so, that it will be able to convert it at favourable exchange rates.

EBI May Not Be Able to Renew Key Supply and Distribution Agreements That Are Due to Expire

The Company and the Operating Companies are party to a number of agreements, including consulting agreements, brand licence agreements, premises and equipment leases, raw material supply agreements and distribution agreements. See “Description of Business”. To the best of the knowledge of Management, EBI is not in breach of any such agreement that is material to its business. Certain of such agreements, including various supply and distribution agreements, have short terms. While Management expects that most existing agreements that are material to the Company’s business will be renewed or, if not renewed, that alternate counter parties are available, on terms similar to those of existing agreements, there can be no assurance that the failure to renew such an agreement would not have a material adverse effect on EBI.

EBI’s Dependence on Efes Beverage Group for Some Key Services Could Result in it Being Subjected to Unfavourable Terms for, or Unavailability of, Those Services

EBI has a number of commercial arrangements with various other companies within Efes Beverage Group. Pursuant to these arrangements, the Operating Companies are granted a license in respect of Efes branded beer products manufactured, bottled and marketed by them, and receive services relating to internal auditing, technical assistance, personnel recruitment and training, information technology support, public relations, and legal affairs. In this regard, EBI’s primary intra-group operating agreements are with Efes Holland, indirectly a wholly-owned subsidiary of Anadolu Efes. In addition, in some areas of Kazakhstan EBI relies on the distribution network of Efes Beverage Group. See “Related Party Transactions”. There can be no assurance that such related party transactions will not be affected by conflicts of interest. Moreover, a disruption in the relationship between EBI and Efes Beverage Group, whether as a result of Anadolu Efes selling part or all of its ownership interest in EBI or for any other reason, could result in Efes Beverage Group ceasing to provide any of these services, which could have a material adverse effect on EBI’s business or financial condition. If there was a disruption in the relationship, EBI may not be able to obtain similar services from unrelated parties on terms as favourable as those offered by Efes Beverage Group. Conversely, it is possible that EBI’s relationship with Efes Beverage Group may prevent it from attempting to obtain similar services from unrelated parties on terms as or more favourable. EBI could be materially adversely affected by its dependence on Efes Beverage Group for those key services.

EBI’s Dependence on Key Persons, Including Efes Beverage Group Management, Could Result in EBI Being Materially Adversely Affected if those Key Persons Ceased to Provide Services to EBI

The success of EBI depends to a large extent on its ability to retain the services of its senior management, including in particular Efes Beverage Group’s and EBI’s Chief Executive Officer, Mr Muhtar Kent, and Efes Beverage Group’s Chief Financial Officer, Mr Hursit Zorlu. There can be no assurance that these members of management would remain with EBI if Anadolu Efes ceased to have a direct or indirect controlling interest in the Company or that they will remain with EBI in any event. Furthermore, there can be no assurance that these key persons would continue to devote a significant portion of their time to EBI’s business if Efes Beverage Group’s business required them to devote increasing attention to business unrelated to EBI. There can also be no assurance that EBI would be able to find adequate replacements for key persons and therefore the departure of key members of management could have a material adverse effect on EBI. See “Directors and Management”.

Anadolu Efes’ Controlling Interest in the Company Could Lead to the Company Undertaking Actions Contrary to the Interests of Minority Shareholders and Blocking Actions In the Interests of Minority Shareholders

As at the date hereof, Anadolu Efes directly or indirectly controls approximately 85.0% of the Company's outstanding share capital. Immediately following the Offering, Anadolu Efes is expected to control approximately 70.2% of the Company's outstanding share capital. Anadolu Efes is a member of Efes Beverage Group. Although Anadolu Efes is a public company in Turkey that is subject to the disclosure obligations applicable to public companies in Turkey, Anadolu Efes will, following completion of the Offering, have the power to pass resolutions of the General Meeting (as defined below) in respect of most matters to be decided by a vote of the General Meeting and, as long as it holds the majority of the Company's shares, will control appointments to the Board of Management (as hereinafter defined) and the Supervisory Board (as hereinafter defined) and will have an effective veto in respect of resolutions of the General Meeting. This concentration of ownership may have the effect of delaying, preventing or deterring a change of control of EBI, could deprive shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Group and might affect the market price of the GDRs. The interests of Anadolu Efes may differ from those of other shareholders, and actions taken by Anadolu Efes, including company reorganisations and capital raising transactions, may be unfavourable to EBI and minority shareholders. Anadolu Efes may, for example, take the long-term view with respect to the Company's business growth, and could use its influence to affect the Company's present or future dividend and investment policies (including capital expenditure) in a way that diverges from an investor's expectations of higher short term profitability and high levels of dividend distributions. Any such actions could have a material adverse effect on EBI and the market price of the GDRs.

Past Acquisitions by EBI May Be Challenged under Applicable Anti-Monopoly Legislation and Potentially Declared Void, Negatively Affecting EBI's Business

EBI's business has grown substantially through acquiring and founding companies. In certain cases, relevant legislation restricts the acquisition of certain assets and the acquisition or formation of companies by groups of companies or individuals acting in concert without prior approval or subsequent notification. While Management believes that EBI and the Operating Companies have complied with the applicable legislation for the acquisition and formation of companies and acquisition of assets, anti-monopoly legislation in the Territories is sometimes vague and subject to varying interpretations. If anti-monopoly authorities were to conclude that an acquisition or creation of a new company or acquisition of assets by EBI or the Operating Companies was carried out in contravention of applicable legislation, they could impose administrative sanctions and require the divestiture of such assets through court proceedings, which could materially adversely affect EBI.

Efes Russia May Be Subject to Vaguely Drafted Russian Transfer Pricing Rules

Under Russian law, the tax authorities have the right to review, in order to consider whether they are an appropriate basis for the determination of taxes due, the prices for transactions between related entities, for example between entities within a corporate group, and certain other types of transactions between independent parties, such as foreign trade transactions and transactions that deviate by more than 20.0% from market prices or that have significant price fluctuations. The Russian transfer pricing rules are vaguely drafted, leaving wide scope for interpretation by the Russian tax authorities and courts. Due to the uncertainties in interpretation of Russian law in this area, the tax authorities may challenge Efes Russia's prices and propose adjustments. If such price adjustments are upheld by the Russian courts and implemented, Efes Russia's effective tax rate could increase and future financial results could be adversely affected. In addition, Efes Russia could face significant losses associated with the assessed amount of prior tax underpaid and related interest and penalties, if profits are reallocated from favourable to less favourable tax jurisdictions, and Efes Russia's effective income tax rate could be increased in future periods, which would materially adversely affect EBI.

Labour Disputes May Cause Work Stoppages, Strikes and Disruptions

To the extent that EBI may seek to lower production costs, improve the efficiency of its facilities, exploit synergies and cope with the demands of a changing market, EBI could implement restructuring measures,

including plant closings and workforce reductions. Restructurings could harm its employee relations and result in labour disputes. Although EBI has not to date been affected by labour unrest in the Territories, there can be no guarantee that EBI's own relations with its employees would not be affected by such events, which could have a material adverse effect on EBI. More information about EBI's employees is included under "Description of Business — Employees."

EBI's Former Use of Arthur Andersen as Auditor Could Affect EBI's Ability to Raise Capital and the Marketability of the GDRs

The Company's former independent public accountants, Arthur Andersen Aktif Analiz Serbest Muhasebecilik Mali Musavirlik A.Ş. (a member of Andersen Worldwide) ("Arthur Andersen Istanbul"), provided the Company with auditing services, including issuing an audit report with respect to the audited consolidated financial statements as of and for the year ended 31 December 2001. On 15 June 2002, a jury in Houston, Texas, in the United States of America, found Arthur Andersen LLP, an affiliate of Arthur Andersen Istanbul, guilty of an obstruction of justice charge arising from the federal government's investigation of Enron Corp. On 31 August 2002, Arthur Andersen LLP ceased practising before the SEC. Arthur Andersen Istanbul has subsequently discontinued its auditing business.

Accordingly, Arthur Andersen Istanbul has not been able to consent to the inclusion of its audit report in this Offering Circular. As a result, investors may not have an effective remedy against Arthur Andersen Istanbul in connection with a material misstatement or omission with respect to the Annual Financial Statements. In addition, even if an investor were able to assert such a claim, as a result of the conviction and other lawsuits, Arthur Andersen Istanbul may fail or otherwise have insufficient assets to satisfy claims made by investors or by the Company that might arise under U.S. securities laws or otherwise relating to any alleged material misstatement or omission with respect to the Annual Financial Statements. Furthermore, in connection with any future capital markets transaction in which the Company may be required to include financial statements audited by Arthur Andersen Istanbul, as a result of the foregoing, investors may elect not to participate in any such offering, or, in the alternative, may require the Company to obtain a new audit with respect to previously audited financial statements. Consequently, the Company's financing costs may increase or the Company's ability to access the capital markets could be delayed or impeded.

The Operating Companies Are Subject to Covenants under Certain Loan Agreements, Which May Result in Past or Future Technical Breaches

Certain loan agreements entered into between the Operating Companies and creditors are subject to covenants. Although Management believes that the Operating Companies are substantially in compliance in all material respects with the loan agreements that are currently in force, there can be no assurance that any of the Operating Companies have not or will not from time to time incur technical breaches under their loan agreements. Although Management believes that its relationship with creditors is sound and based on mutual trust, a deterioration in the Company's relationship with the Operating Companies' creditors could result in the enforcement of default provisions under any loan agreements that may be in breach, which could have a material adverse effect on EBI. For a description of the loan agreements that the Operating Companies have entered into that are currently in force, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Cash Flow, Liquidity and Capital Resources — Borrowings."

Risks Relating to the Offering

Possible Inability of Investors to Resell their GDRs at or above the Offer Price

Prior to the Offering, neither the Shares nor the GDRs have been available for sale publicly. After the Offering, an active trading market for the GDRs may not develop or, if it develops, may not be sustained. The Offer Price has been determined by negotiation between the Company, the Selling Shareholders and the Managers, and may not be indicative of the price at which the GDRs will trade following completion of the Offering. The market price of the GDRs could also be subject to significant fluctuation, and investors may not be able to resell the GDRs at or above the Offer Price.

Effect on GDR Price of Availability of GDRs for Future Sale

Sales of a substantial number of the GDRs in the public markets following the Offering, or the possibility that these sales may occur, including future sales of shares in the Company by Anadolu Efes, could have a material adverse effect on the price of the GDRs or could impair the Company's ability to obtain further capital through an offering of equity securities.

Currency and Exchange Rate Fluctuations May Adversely Affect EBI's Business or Financial Condition and the Price and Liquidity of GDRs and Shares

A decline in the value of the currencies of the Territories against the U.S. dollar may result in a decrease in EBI's net income and shareholders' equity when expressed in U.S. dollars. The market price and liquidity of the GDRs could be adversely affected by such a decline. See "Exchange Rate Information".

Possible Unavailability of Pre-Emption Rights for US and Other Non-UK holders of Shares Represented by GDRs

In the case of an increase of the share capital of the Company for cash, the existing holders of Shares represented by GDRs are generally entitled to pre-emption rights pursuant to Dutch law and the Articles, unless such rights are restricted or excluded by a resolution of the Supervisory Board, or, if the former is no longer delegated this authority, the General Meeting subject to approval from the Supervisory Board. Even if pre-emption rights are not restricted or excluded, US and other non-UK holders of the Shares represented by GDRs may not be able to exercise any pre-emption rights for their Shares represented by GDRs unless the Company decides to comply with applicable local laws and regulations and, in the case of US holders, unless a registration statement under the Securities Act is effective with respect to those rights, or an exemption from the registration requirement thereunder is available. The Company intends to evaluate at the time of any rights offering the costs and potential liabilities associated with any such compliance or registration statement. At such time, the Company also intends to evaluate the benefits to it of enabling the exercise by US and other non-UK holders of the Shares represented by GDRs of the pre-emption rights for their Shares represented by GDRs and any other factors the Company considers appropriate at the time. On the basis of this evaluation, the Company will then make a decision as to how to proceed and whether to file such a registration statement or otherwise or any other steps necessary to extend the rights offering into the other jurisdictions (including complying with local law requirements in other jurisdictions). No assurance can be given that pre-emption rights will not be limited or excluded in respect of certain holders of Shares represented by GDRs, or that any steps will be taken in any jurisdiction or that any registration statement will be filed to enable the exercise of any pre-emption rights by holders of Shares represented by GDRs.

Current Unavailability of UK and Dutch Law Anti-Takeover Protection

As the GDRs will be traded on the London Stock Exchange, the Dutch public offer rules will not apply to any public offer for the GDRs or the Shares. In addition, as EBI is not incorporated in England and Wales, the City Code on Takeovers and Mergers does not apply to EBI. As a result, a bid for, or creeping acquisition of control over, EBI will be unregulated.

The Shares Underlying the GDRs Are Not Listed and May Be Illiquid

Unlike nearly all other GDR offerings traded on the London Stock Exchange, the Shares are neither listed nor traded on any stock exchange and the Company does not intend to apply for the listing or admission to trading of its Shares on any stock exchange. As a result, a withdrawal of Shares by a holder of GDRs, whether by election or due to certain events described under "Terms and Conditions of GDRs — Termination of Deposit Agreement", will result in that holder obtaining securities that are significantly less liquid than the GDRs and the price of those Shares may be discounted as a result of such withdrawal.

USE OF PROCEEDS

The proceeds to the Company, net of underwriting commissions, fees and expenses, are expected to be approximately US\$113.3 million. The Company intends to use its net proceeds of the Offering to finance further growth and for general corporate purposes. The Company will not receive any proceeds from the sale of existing Shares by the Selling Shareholders.

DIVIDEND POLICY

To date, the Company has not declared or paid dividends in respect of any of its outstanding share capital. The distribution of profits and payment of a dividend are subject to compliance with the Dutch Civil Code and the Articles. Dividends may in principle only be paid out of profits as shown in the adopted annual financial statements. The profits must first be used to set up and maintain reserves required by the law and must then be set off against certain financial losses. Thereupon, the Company's board of management (the "Board of Management"), subject to the approval of the Company's supervisory board (the "Supervisory Board"), may determine to withhold profits as further reserves. In so far as any profit has not been distributed or allocated to reserves, such profits shall be at the disposal of the general meeting of shareholders of the Company (the "General Meeting"). Subject to the approval of the Supervisory Board, the Board of Management may resolve to distribute all or any part of the freely distributable reserves. Subject to the approval of the Supervisory Board, the Board of Management may also resolve in accordance with the provisions of the law and the Articles that an interim dividend shall be distributed out of the profits made in the current financial year.

The Company's ability to pay dividends may be restricted under the terms of a loan agreement it entered into with BSTDB (the "BSTDB Loan Agreement"). Pursuant to the BSTDB Loan Agreement, the Company may not declare or pay any dividend unless there are no events of default or potential events of default continuing and unless such dividend will not cause the Company to be in breach of the financial ratios set out in that agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Cash Flow, Liquidity and Capital Resources — Borrowing Facilities — Loan Agreements with BSTDB".

As a holding company, the level of the Company's income and its ability to pay dividends depend primarily upon the receipt of dividends and distributions from the Operating Companies. The payment of dividends by the Operating Companies is contingent upon the sufficiency of their earnings and cash flows. In addition, the receipt of dividends or other payments by the Company from Efes Russia and Efes Kazakhstan is subject to these companies complying with the terms of agreements in connection with loans to those Operating Companies from the EBRD. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Cashflow and Liquidity and Capital Resources — Borrowing Facilities". The principal revenue of the Operating Companies is generated in the currency of the applicable Territory, and therefore the level of funds available to the Company to pay dividends is subject to fluctuations in the currencies of the Territories and the Euro and the U.S. dollar. The Company expects to receive dividends during 2004 from Efes Russia, Interbrew Efes Romania and Efes Kazakhstan in respect of earnings for 2003. The precise dividend income to the Company will be determined when the accounts are finalised. The Company does not anticipate receiving dividend income from Efes Moldova and Efes Serbia for a number of years.

To the extent that dividends are declared and paid by the Company, owners of GDRs on the relevant record date will be entitled to receive dividends payable in respect of Shares underlying the GDRs, subject to the terms of the Deposit Agreement. Cash dividends may be paid to the Depositary in U.S. dollars or in Euro, and, if paid in Euro, and, except as otherwise described under "Terms and Conditions of GDRs — Conversion of Foreign Currency", are converted into U.S. dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

The Company does not expect to pay dividends for the foreseeable future.

EXCHANGE RATE INFORMATION

The official currency of Russia is the Ruble, of Kazakhstan is the Tenge, of Romania is the Romanian Leu, of Serbia is the Yugoslav New Dinar, of Moldova is the Moldovan Leu and of Ukraine is the Hryvnia (the “Local Currencies”). As a result of legislation in force in each of the Territories relating to investments by foreign companies, there are limits on the ability of some Operating Companies to convert Local Currency into U.S. dollars or other hard currencies or to convert U.S. dollars or other hard currencies into Local Currency. See “Risk Factors — Risks Relating to the Territories — Exchange Controls and Repatriation May Adversely Affect EBI’s Business or Financial Condition, and Its Ability to Pay Dividends.”

The following table sets forth the period-average and period-end exchange rates between the Local Currencies and the U.S. dollar for the periods indicated.

| <u>Exchange Rate Data</u> | <u>Year Ended 31 December</u> | | | <u>Six Months Ended 30 June</u> |
|---------------------------------|-------------------------------|-------------|-------------|---------------------------------|
| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> |
| Kazakhstan | | | | |
| Tenge/US\$ | | | | |
| Average ⁽¹⁾ | 146.92 | 153.50 | 149.47 | 138.49 |
| Period end ⁽²⁾ | 150.90 | 155.85 | 143.25 | 135.85 |
| Russia | | | | |
| Ruble/US\$ | | | | |
| Average ⁽¹⁾ | 29.21 | 31.39 | 30.68 | 28.77 |
| Period end ⁽²⁾ | 30.49 | 31.95 | 29.24 | 29.07 |
| Romania | | | | |
| ROL/US\$ | | | | |
| Average ⁽¹⁾ | 29,062.89 | 33,049.30 | 33,182.19 | 33,090.24 |
| Period end ⁽²⁾ | 31,745.00 | 33,500.00 | 32,596.03 | 33,407.31 |
| Moldova | | | | |
| MDL/US\$ | | | | |
| Average ⁽¹⁾ | 12.90 | 13.57 | 13.90 | 12.24 |
| Period end ⁽²⁾ | 13.08 | 13.83 | 12.81 | 11.91 |
| Ukraine | | | | |
| Hryvnia/US\$ | | | | |
| Average ⁽¹⁾ | 5.37 | 5.33 | 5.33 | 5.33 |
| Period end ⁽²⁾ | 5.31 | 5.33 | 5.33 | 5.32 |
| Serbia | | | | |
| YUM/US\$ | | | | |
| Average ⁽¹⁾ | 63.41 | 64.09 | 57.57 | 57.18 |
| Period end ⁽²⁾ | 66.39 | 58.90 | 54.44 | 59.60 |

Source: Factset

(1) Represents the average of monthly averages of the exchange rates for the relevant periods. Monthly averages are computed by calculating the average of daily exchange rates on each business day of each month during the relevant periods.

(2) Represents the exchange rates on the last day of the relevant period.

CAPITALISATION

The following table sets forth, at 30 June 2004, (a) the Company's actual capitalisation, and (b) the Company's capitalisation as adjusted to reflect the Capital Increase, the Offering and the application of the net proceeds thereof.

| | At 30 June 2004 | |
|---|------------------|------------------|
| | Actual | As Adjusted |
| | (US\$ thousands) | (US\$ thousands) |
| Short-term borrowings | 29,991 | 29,991 |
| Current portion of long-term borrowings | 16,415 | 16,415 |
| Long-term borrowings, net of current portion | 62,105 | 62,105 |
| Minority interest | 60,518 | 60,518 |
| Issued capital | 124,630 | 156,384 |
| Share premium ⁽¹⁾ | 21,567 | 103,148 |
| Currency translation differences | 19,411 | 19,411 |
| Legal reserves and accumulated profit/(deficit) | 68,504 | 68,504 |
| Total equity | <u>234,112</u> | <u>347,447</u> |
| Total capitalisation ⁽²⁾ | <u>403,141</u> | <u>516,476</u> |

(1) Share premium as adjusted represents the share premium before the Offering, plus proceeds to the Company from the Offering, net of underwriting commissions, fees and estimated expenses, minus the increase in issued capital resulting from the Offering.

(2) Total of short-term borrowings, current portion of long-term borrowings, long-term borrowings net of current portion, minority interest and total equity.

DILUTION

The Company's consolidated net tangible book value at 30 June 2004 was approximately US\$230.4 million, resulting in a pro forma consolidated net tangible book value per Share of US\$1.88 (giving effect to a share split (the "Share Split") effected on 14 October 2004 whereby each share with a nominal value of €100 was split into 100 shares with a nominal value of €1.00). Consolidated net tangible book value per Share represents the amount of the Company's total tangible assets, meaning total assets less intangible assets, reduced by total liabilities, divided by the number of Shares outstanding.

If all of the GDRs being offered by the Company are sold in the Offering at a price of US\$23.25 per GDR, after deducting the estimated underwriting commissions, fees and expenses, the Company will receive net proceeds from the Offering of US\$113.3 million. Assuming that such proceeds had been made available on 30 June 2004, the Company's consolidated net tangible book value would have been US\$2.32 per Share. This represents an immediate increase in consolidated net tangible book value of US\$0.44 per Share to existing shareholders and an immediate dilution of US\$2.33 per Share to investors purchasing GDRs in the Offering. The following table illustrates this dilution:

| | US\$ |
|--|------|
| Offer Price per Share ⁽¹⁾ | 4.65 |
| Consolidated net tangible book value per share immediately before the Offering | 1.88 |
| Consolidated net tangible book value per share immediately after the Offering | 2.32 |
| Immediate increase of consolidated net tangible book value per share resulting from the Offering | 0.44 |
| Dilution per Share to investors in the Offering | 2.33 |

(1) Based on a ratio of five Shares per GDR.

THE BREWING INDUSTRY

The information provided below is based on public secondary sources available to the Company as at 14 October 2004, including information provided or published by participants in the beer industry. None of the Company, Management, Anadolu Efes, or any of their respective affiliates, attorneys, advisors or agents, guarantees the accuracy or completeness of such information, and such information is not to be construed as a representation or warranty by any of the Company, Management, Anadolu Efes, or any of their respective affiliates, attorneys, advisors or agents. All industry data in this section relating to 2003 are estimates resulting from the extrapolation to the end of 2003 of actual data for the period from 1 January to 30 September 2003 and all data in this section relating to any period subsequent to 2003 are forecasts. See "Market Share Information".

Global Industry Overview

The size of the worldwide beer market has grown at an estimated CAGR of 2.0% between 1996 and 2003 and was approximately 1.4 billion hectolitres in 2003. Production and consumption patterns and corresponding growth rates, however, vary significantly from country to country. The global brewing industry generally can be broken down into two major categories: (i) mature markets, where consumption is either stable or slightly declining, and (ii) emerging markets, where consumption is growing. Most markets in Eastern and Central Europe, the Balkans and the CIS are among the emerging markets, while Western Europe and North America are among the mature markets. The following table sets forth the development of beer markets in major geographic regions of the world.

| | As At or For the Year Ended 31 December | | | | | | | CAGR | |
|-------------------------------------|---|-------|-------|-------|---------------------|---------------------|---------------------|--------------------------|--------------------------|
| Market data | 1999 | 2000 | 2001 | 2002 | 2003 ⁽⁴⁾ | 2005 ⁽⁵⁾ | 2008 ⁽⁵⁾ | 1999-2003 ⁽⁴⁾ | 2003-2008 ⁽⁵⁾ |
| Western Europe⁽¹⁾ | | | | | | | | | |
| Market size (mhl) | 305.7 | 299.3 | 298.7 | 297.3 | 293.1 | 293.0 | 290.7 | (1.0%) | (0.2%) |
| Per capita consumption (litres) | 78.7 | 76.8 | 76.7 | 76.2 | 75.1 | 74.8 | 74.4 | (1.2%) | (0.2%) |
| Eastern Europe⁽²⁾ | | | | | | | | | |
| Market size (mhl) | 146.6 | 163.7 | 171.5 | 184.2 | 191.9 | 216.3 | 244.0 | 7.0% | 4.9% |
| Per capita consumption (litres) | 36.3 | 40.4 | 42.6 | 45.0 | 47.8 | 53.9 | 61.3 | 7.1% | 5.1% |
| North America | | | | | | | | | |
| Market size (mhl) | 254.1 | 255.7 | 257.9 | 261.0 | 262.9 | 266.5 | 272.6 | 0.9% | 0.7% |
| Per capita consumption (litres) | 81.9 | 81.4 | 81.3 | 81.5 | 81.2 | 80.5 | 80.8 | (0.2%) | 0.1% |
| Asia Pacific⁽³⁾ | | | | | | | | | |
| Market size (mhl) | 362.3 | 384.4 | 391.9 | 408.5 | 410.6 | 431.8 | 479.4 | 3.2% | 3.1% |
| Per capita consumption (litres) | 10.5 | 11.1 | 11.1 | 11.5 | 11.4 | 11.7 | 12.6 | 1.9% | 2.0% |

(1) Western Europe includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

(2) Eastern Europe includes Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine.

(3) Asia Pacific includes the People's Republic of China.

(4) Data for 2003 is estimated by extrapolating figures for the period of 1 January 2003 to 30 September 2003 to cover the entirety of 2003.

(5) Data for 2004 to 2008 are forecasts.

Source: Canadian Global Beer Report 2003.

Beer is considered a relatively local product. Until the middle of the twentieth century, the short shelf life of beer and difficulties of transportation demanded local production. Technological advances have reduced these barriers, but the prevalence of local products has remained. Industry participants believe that consumers in most countries continue to buy local brands produced by local brewers and sold through local stores, pubs and restaurants at prices that vary widely around the world. As a result, most participants in the beer industry are still regional or national, and only a few are international.

The general trend in the brewing industry is toward consolidation at the national and, to some extent, international levels. In many mature markets, the top two or three brewing companies account jointly for a

market share by sales volume of over 50.0%. For example, the top three brewing companies in each of France, Italy and the United Kingdom accounted for approximately 86.0%, 68.0% and 65.0% of sales volume in the respective countries for 2003. On a worldwide level, consolidation is occurring, although it is not as pronounced as in many mature markets. For example, whereas in 1997 the top 20 international brewing companies accounted for approximately 36.8% of sales volume worldwide, in 2002 they accounted for 60.8%.

The Territories

The Territories cover an aggregate area of approximately 20.1 million square kilometres in the CIS, Eastern Europe and the Balkans. The aggregate population of the Territories is approximately 194.8 million and is ethnically diverse. Each of the Territories, other than Serbia, was formerly part of the Soviet bloc. Since the dissolution of the Soviet Union, each of the Territories has implemented market-based economic reforms although the approach to, extent of, and rate of implementing such reforms has varied. However, in recent years, there has been a general improvement in economic indicators relating to the Territories, including rates of inflation and the growth of GDP.

The beer markets in the Territories are among the least saturated beer markets in developing countries with comparable levels of disposable income and per capita consumption. In addition, disposable income and per capita consumption of beer in the Territories are increasing. Regional players such as EBI have emerged by replicating the success gained in one country in neighbouring countries by using their experience and logistical advantages.

The beer markets in the Territories have undergone significant growth between 1999 and 2003. For example, the Russian beer market has grown in size from approximately 43.5 million hectolitres in 1999 to an estimated 74.9 million hectolitres in 2003, corresponding to an estimated CAGR of 14.6%. Other Territories have followed a similar path, with Kazakhstan growing at an estimated CAGR of 15.9% between 1999 and 2003. On an aggregated basis, the beer market size in the Territories has grown from 62.3 million hectolitres in 1999 to an estimated 95.1 million hectolitres in 2003, corresponding to an estimated CAGR of 11.2%.

Management believes that this strong increase in the consumption of beer is a continuation of a long term growth trend that is affected by, among other factors, the pricing and marketing strategies of industry participants, greater cultural acceptance of beer consumption, increasing disposable income, improving demographic factors, increasing health consciousness and a corresponding switch from high alcohol content drinks towards beer. Management believes that in emerging markets GDP is one of the most critical factors determining the level of beer consumption, while in mature markets marketing and promotional activities and product differentiation determine the level of beer consumption. Beer consumption in the Territories should therefore benefit from expected growth in GDP over the next several years, with market and promotional activities and product differentiation becoming increasingly important for success in the market.

Notwithstanding the rapid growth that the Territories have experienced over the past five years, per capita beer consumption in the Territories remains low compared with that of Western European countries and certain other countries. Management believes that there is still significant growth potential for the beer markets in the Territories. Canadean forecasts that the aggregated beer market in the Territories will grow at an estimated CAGR of 7.4% and that annual per capita consumption will increase from an average of approximately 48.8 litres in 2003 to an estimated average of approximately 71.5 litres in 2008. The following table sets forth the estimated GDP per capita and estimated average beer consumption per capita in selected countries for 2003.

| <u>Country</u> | <u>For the Year Ended 31 December 2003</u> | |
|---------------------------------|--|--|
| | <u>GDP per capita</u> (US\$) | <u>Average beer consumption per capita</u> (litres) |
| Territories | | |
| Kazakhstan | 2,080 | 15.9 |
| Moldova | 519 | 14.1 |
| Romania | 2,540 | 53.4 |
| Russia | 2,950 | 52.8 |
| Serbia | 1,860 | 49.6 |
| Western Europe | | |
| France | 29,270 | 34.3 |
| Germany | 28,910 | 116.6 |
| Italy | 28,420 | 29.0 |
| The Netherlands | 31,490 | 79.7 |
| United Kingdom | 29,860 | 97.6 |
| Selected Other Countries | | |
| Japan | 33,940 | 53.3 |
| United States | 37,810 | 82.6 |

Source: Canadean Global Beer Report 2003.

Industry Segmentation in the Territories

The beer market in Russia, the largest market in which EBI operates, and, to a large extent, the beer markets in the other Territories, can be broken down into five segments. These are (i) poor quality, locally produced, low priced brands, whose products are often non-pasteurised; (ii) local mid-priced brands; (iii) local premium brands; (iv) licensed brands; and (v) imported brands.

- **Local low priced brands.** This type of beer is generally a low-price and usually a low-quality product which stimulates little market awareness or support. It is, however, widely available through a range of different outlets and is distributed in a variety of different containers, including bottles and barrels. There is little differentiation on the basis of quality.

Standards of packaging are often modest and most producers tend not to focus on packaging, labelling and branding to stimulate consumer preferences. In contrast, foreign imported beer and recently developed local and national brands are perceived as higher-quality products, and command increasing consumer interest and premium prices.

- **Local mid-priced brands.** This type of beer tends to account for the largest share of the market. The product is generally of higher quality than low priced generic brands; however, standards of filtration, packaging and beer quality vary from one brand to another. The size of this segment allows large brewers to leverage their scale advantage and promote their beer products on a national basis. Customers in this segment are particularly price-sensitive, making it difficult for brewers to increase prices without significant investment in brand and product quality.
- **Local premium brands.** The brands within the local premium segment are priced some 30.0% above the mid-priced brands, yet are materially lower priced than imports. These brands are supported with aggressive advertising campaigns, particularly with TV advertising and promotion that aim to influence regular beer drinkers to switch to these products.

- **Licensed brands.** This segment, which comprises international brands brewed under licence, is a natural line extension to the local brands of international brewers and has experienced the fastest growth over the last three years. In connection with the launch of locally positioned brands, the international brewers have introduced their global brands to create another, more profitable segment that they can market along with their less expensive brands.
- **Imported brands.** Imported beer is an important segment of the market, particularly in the more highly populated centres with relatively higher purchasing power. In these areas, a large number of foreign brands are widely available, particularly in hotels, restaurants and bars. Imported beer is significantly more expensive than locally manufactured beer, is of comparatively higher quality, and often enjoys stronger consumer recognition and support among those who can afford it. However, the development of high quality local premium brands with high quality packaging and widespread marketing and distribution and of licensed brands provides significant competition to the imports.

Industry Trends in the Territories

There are a number of trends impacting growth and profitability in the beer industry in the Territories. These trends are as follows:

- **Increased demand for locally produced quality beer.** The local premium segment of the beer market in the Territories has experienced significant growth in recent years. For instance, in Moscow, the market share by value of the local premium segment in the total beer market has increased from 9.8% in 1999 to approximately 29.7% in 2003. Growth in this segment has largely been attributed to a shift from local mid-priced and economy brands. The market share by value of the mid-priced segment has been declining since 1999.
- **Continued industry consolidation.** The brewing industry in the Territories has experienced significant consolidation, which has contributed to industry profitability through increased prices and scale economies. Several breweries have exited the beer business, sold themselves or their brands or closed inefficient, outdated brewing facilities. Consolidation is expected to continue for the foreseeable future. For example, although there are more than 50 large and medium-sized brewers in Russia, the three largest brewers currently control over 50.0% of the market.
- **Further decrease in the share of imported brands.** Imported beer, which had captured a larger market share in the Territories prior to the economic crisis in 1998 and the availability of local premium brands, is expected to lose further market share to the local premium and licensed brands. For example, in Moscow, the market share by value of the imports segment decreased from around 9.4% in 2001 to approximately 5.3% in 2003.
- **Switch from high alcohol substitutes.** European alcoholic beverage markets can generally be broken-down into two distinct models: a Mediterranean consumption model, where wine is the drink of choice, and Northern European model which prefers beer and spirits such as vodka. The drinking culture in the Territories is closer to the Northern European model with a strong spirit consumption pattern. As consumer preferences in the Territories start to change towards a more health conscious lifestyle orientation, high alcohol content spirits are likely to be substituted for beer.
- **Increasing prices.** The average price of beer in the Territories has been increasing since 1998. Management believes that the improved pricing environment results in part from a shift to local premium brands, and also due to price increases in all categories supported by the increase in disposable income. There has also been a shift in the competitive environment of the industry away from price-based competition towards competition based on quality, marketing and advertising and point of sale promotions. Pricing structure is of particular importance in Russia, where the economic crisis of 1998 significantly depressed prices. Prices have recently started to increase and Management believes that the post-crisis price increase trend will continue in the medium term.

Regulation and Taxation of the Beer Industry

As in Western Europe, regulation of the beer industry in the Territories is primarily effected through taxation. Taxes and government surcharges on beer in the Territories currently range between 15.0% to 25.0% of the retail price of beer and are based on production, excise and value-added taxes. For instance, in Russia excise taxes are 1.55 Rubles or US\$0.05 per litre sold, and value added tax is 18.0%. Taxes and surcharges on beer in Russia compare favourably with relevant charges on vodka, where excise tax is 135 Rubles per litre for 100.0% alcohol content, or 54 Rubles for standard vodka with an alcohol content of 40.0%. Other regulatory requirements in the Territories include minimum drinking ages and restrictions with respect to advertising method, media and slogans used to promote beer.

The Russian Market

The Russian beer market is the most dynamic and highest volume growth market in Europe, with both domestic and foreign producers trying to increase their market share in the rapidly growing industry. The market size has grown significantly, from approximately 43.5 million hectolitres in 1999, to an estimated 74.9 million hectolitres in 2003, constituting a CAGR of approximately 14.6%. In spite of the strong historical increase in beer consumption, estimated per capita beer consumption of approximately 52.8 litres remains relatively low when compared to Western European countries. With a population of approximately 142.0 million, Russia is among the most attractive beer markets in the world, and, as shown in the table below, is expected to grow at a CAGR of approximately 8.6% in the period from 2003 to 2008.

The solid growth in the Russian beer market is attributable to a number of factors including:

(i) increasing supply of quality local products as international brewers replace small scale, local brewers, who do not have access to financial resources to fulfil needs for modernisation; (ii) changing demographics and an increasing switch from high alcohol substitutes (mainly vodka) in line with changing consumer preferences and increasing levels of health consciousness; (iii) increased advertising and promotional campaigns, enhancing the visibility and image of beer; (iv) increased availability of beer, as distribution networks are established and the shelf life of beer extends; and (v) favourable government regulations, such as taxation, promoting a switch from high alcohol products to low alcohol products. The following table sets forth the development of the beer market and per capita consumption in Russia.

| <u>Market data</u> | <u>As At or For the Year Ended 31 December</u> | | | | | | | <u>CAGR</u> | |
|-------------------------------------|--|-------------|-------------|-------------|---------------------------|---------------------------|---------------------------|--------------------------------|--------------------------------|
| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003⁽¹⁾</u> | <u>2005⁽²⁾</u> | <u>2008⁽²⁾</u> | <u>1999-2003⁽¹⁾</u> | <u>2003-2008⁽²⁾</u> |
| Market size (mhl) | 43.5 | 55.2 | 63.0 | 70.7 | 74.9 | 92.3 | 113.0 | 14.6% | 8.6% |
| Per capita consumption (litres) . . | 29.9 | 37.9 | 43.7 | 49.5 | 52.8 | 65.5 | 81.8 | 15.3% | 9.2% |
| Population (millions) | 145.5 | 145.5 | 144.0 | 142.9 | 142.0 | 140.9 | 138.0 | (0.6%) | (0.6%) |

Source: Canadean Global Beer Report 2003.

(1) Data for 2003 are estimates based on extrapolating actual data for the period of 1 January 2003 to 30 September 2003 to cover the entirety of 2003.

(2) Data for 2004 to 2008 are forecasts.

In addition to growth in the Russian beer market as a whole, the local premium segment of the beer market in Russia has experienced even higher growth in recent years. The share of the local premium segment in the total Moscow beer market by value has increased from approximately 9.8% in 1999 to approximately 29.7% in 2003. Beer consumption in different regions of Russia varies widely, and St. Petersburg, Moscow and the central region lead the nation in beer consumption. The most important geographic region is Moscow. Together with its suburbs, the Moscow region accounts for approximately 18.5% of the Russian population and approximately 18.3% of total beer consumption in Russia. Per capita beer consumption in Moscow is approximately 79.0 litres, which is approximately 50.0% higher than the national average.

In terms of packaging, bottled beer constitutes the largest share of sales volume in Russia and in Moscow, followed by PET-packaged beer, cans and kegs. However, for the last three years, the share of sales volume held by canned and PET-packaged beer in Russia and in Moscow has grown at the expense, on a

percentage basis, of bottled beer. From 2001 to 2003, the share of sales volume held by bottled beer in Russia decreased from 68.0% (77.0% in Moscow) to 49.0% (61.0% in Moscow), while the share held by PET-packaged beer grew from 27.0% (19.0% in Moscow) to 37.0% (24.0% in Moscow), and the share held by canned beer grew from 3.0% (and also in Moscow) to 12.0% (15.0% in Moscow).

The Moldovan Market

The Moldovan beer industry has nearly tripled in size between 1999 and 2003, from approximately 0.2 million hectolitres in 1999 to approximately 0.6 million hectolitres in 2003, constituting a CAGR of approximately 27.6%. Per capita beer consumption of approximately 14.1 litres remains low when compared to other European countries. The Moldovan beer market is expected to grow at a CAGR of approximately 5.4% in the period from 2003 to 2008. The following table sets forth the development of the beer market and per capita consumption in Moldova.

| Market data | As At or For the Year Ended 31 December | | | | | | | CAGR | |
|---------------------------------------|---|------|------|------|---------------------|---------------------|---------------------|--------------------------|--------------------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 ⁽¹⁾ | 2005 ⁽²⁾ | 2008 ⁽²⁾ | 1999-2003 ⁽¹⁾ | 2003-2008 ⁽²⁾ |
| Market size (mhl) | 0.2 | 0.3 | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 | 27.6% | 5.4% |
| Per capita consumption (litres) | 5.3 | 6.5 | 9.0 | 12.6 | 14.1 | 15.4 | 18.6 | 28.0% | 5.6% |
| Population (millions) | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 4.2 | 4.2 | (0.3%) | (0.2%) |

Source: Canadean Global Beer Report 2003.

(1) Data for 2003 are estimates based on extrapolating actual data for the period of 1 January 2003 to 30 September 2003 to cover the entirety of 2003.

(2) Data for 2004 to 2008 are forecasts.

In Moldova, bottled beer constitutes the largest share of sales volume, accounting for approximately 64.0% in 2003, followed by PET-packaged beer products with approximately 34.0% and canned beer with approximately 2.0%.

The Kazakh Market

The Kazakh beer industry has grown considerably between 1999 and 2003, from approximately 1.4 million hectolitres in 1999 to an estimated 2.5 million hectolitres in 2003, constituting a CAGR of approximately 15.9%. In spite of the strong historical increase in beer consumption, estimated per capita beer consumption of 15.9 litres 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 5.4% in the period from 2003 to 2008. The following table sets forth the development of the beer market and per capita consumption in Kazakhstan.

| Market data | As At or For the Year Ended 31 December | | | | | | | CAGR | |
|---------------------------------------|---|------|------|------|---------------------|---------------------|---------------------|--------------------------|--------------------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 ⁽¹⁾ | 2005 ⁽²⁾ | 2008 ⁽²⁾ | 1999-2003 ⁽¹⁾ | 2003-2008 ⁽²⁾ |
| Market size (mhl) | 1.4 | 1.8 | 2.1 | 2.4 | 2.5 | 2.8 | 3.3 | 15.9% | 5.4% |
| Per capita consumption (litres) | 8.7 | 11.0 | 13.1 | 14.8 | 15.9 | 17.7 | 20.8 | 16.4% | 5.6% |
| Population (millions) | 16.2 | 16.2 | 16.1 | 16.0 | 15.9 | 15.9 | 15.8 | (0.4%) | (0.2%) |

Source: Canadean Global Beer Report 2003.

(1) Data for 2003 are estimates based on extrapolating actual data for the period of 1 January 2003 to 30 September 2003 to cover the entirety of 2003.

(2) Data for 2004 to 2008 are forecasts.

In Kazakhstan, bottled beer constitutes by far the largest share of sales volume, accounting for more than 95.0% of overall beer sales volume for the last three years. However, canned beer has been gaining in popularity: In 2001, it constituted only 0.3% of sales volume, while in 2003, it constituted 2.5%. PET-packaged products have a negligible share of the market, as their sale is not permitted.

The Romanian Market

Romania has an established beer drinking culture, with an estimated per capita beer consumption of 53.4 litres for 2003. The market size is approximately 11.9 million hectolitres, and has grown at an estimated CAGR of 1.9% between 1999 and 2003. The Romanian beer industry produced an estimated 11.9 million hectolitres of beer in 2003. Although many breweries in Romania are low capacity producers that market their beer products only in their own regions, large foreign brewers hold an important share of the market. Accordingly, in 2003, in Romania 63.0% of sales volume was accounted for by the top three foreign brewers.

The following table sets forth the development of the beer market and per capita consumption in Romania.

| Market data | As At or For the Year Ended 31 December | | | | | | | CAGR | |
|---|---|------|------|------|---------------------|---------------------|---------------------|--------------------------|--------------------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 ⁽¹⁾ | 2005 ⁽²⁾ | 2008 ⁽²⁾ | 1999-2003 ⁽¹⁾ | 2003-2008 ⁽²⁾ |
| Market size (mhl) | 11.0 | 11.5 | 11.3 | 11.5 | 11.9 | 12.9 | 14.4 | 1.9% | 3.9% |
| Per capita consumption (litres) | 49.0 | 51.1 | 50.5 | 51.5 | 53.4 | 58.4 | 65.7 | 2.2% | 4.2% |
| Population (millions) | 22.4 | 22.4 | 22.3 | 22.2 | 22.2 | 22.1 | 21.9 | (0.3%) | (0.3%) |

Source: Canadean Global Beer Report 2003.

(1) Data for 2003 are estimates based on extrapolating actual data for the period of 1 January 2003 to 30 September 2003 to cover the entirety of 2003.

(2) Data for 2004 to 2008 are forecasts.

The Serbian Market

The Serbian beer industry has contracted between 1999 and 2003, from approximately 6.1 million hectolitres in 1999 to approximately 5.2 million hectolitres in 2003, constituting a negative CAGR of approximately 4.0%. See "Description of Business — Operations — Operations in Serbia." Per capita beer consumption of approximately 49.6 litres is below the Western European median. The Serbian beer market is expected to further contract at an estimated negative CAGR of approximately 1.8% in the period from 2003 to 2008. The following table sets forth the development of beer market and per capita consumption in Serbia.

| Market data | As At or For the Year Ended 31 December | | | | | | | CAGR | |
|---|---|------|------|------|---------------------|---------------------|---------------------|--------------------------|--------------------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 ⁽¹⁾ | 2005 ⁽²⁾ | 2008 ⁽²⁾ | 1999-2003 ⁽¹⁾ | 2003-2008 ⁽²⁾ |
| Market size (mhl) | 6.1 | 6.1 | 5.2 | 5.2 | 5.2 | 4.9 | 4.7 | (4.0%) | (1.8%) |
| Per capita consumption (litres) | 58.1 | 57.4 | 49.5 | 49.2 | 49.6 | 47.2 | 45.5 | (3.9%) | (1.7%) |
| Population (millions) | 10.5 | 10.6 | 10.5 | 10.5 | 10.5 | 10.5 | 10.4 | (0.1%) | (0.1%) |

Source: Canadean Global Beer Report 2003.

(1) Data for 2003 are estimates based on extrapolating actual data for the period of 1 January 2003 to 30 September 2003 to cover the entirety of 2003.

(2) Data for 2004 to 2008 are forecasts.

DESCRIPTION OF BUSINESS

Overview

EBI is a leading brewing group in the countries in which it operates across the CIS, Eastern Europe and the Balkans. Currently it operates in Kazakhstan, Moldova, Romania, Russia and Serbia, where it has nine breweries and markets and sells beer products through the Operating Companies. 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 the Adriatic Sea to the borders of the People's Republic of China.

In the years ended 31 December 2001, 2002 and 2003, EBI's net sales on a consolidated basis were US\$102.6 million, US\$160.1 million and US\$264.1 million, respectively, representing an increase of approximately 56.0% and 65.0% per year in 2002 and 2003, respectively. EBI had consolidated sales volumes of 2.1 million, 3.2 million and 5.3 million hectolitres in the years ended 31 December 2001, 2002 and 2003, respectively. In the six months ended 30 June 2004, EBI's net sales on a consolidated basis were US\$184.4 million, representing a 73.6% increase over its net sales on a consolidated basis of US\$106.2 million in the six months ended 30 June 2003. EBI had consolidated sales volumes of approximately 2.1 million hectolitres and 3.5 million hectolitres in the six months ended 30 June 2003 and 2004, respectively. As at 30 June 2004, EBI had 3,610 full-time employees (excluding the employees of Efes Ukraine, which is in the process of being sold).

The Company is a majority-owned subsidiary of Anadolu Efes, a company based in Turkey. Anadolu Efes, which together with its direct and indirect subsidiaries and affiliates constitutes Efes Beverage Group, produces and markets beer, bottled water, malt and soft drinks across Turkey, Eastern Europe, the Balkans and the CIS, with net sales on a consolidated basis of US\$745.7 million for the year ended 31 December 2003. All international brewing operations of Efes Beverage Group are conducted by EBI. Efes Beverage Group in turn forms part of the Anadolu Group, a Turkish corporate group with diversified interests in the automotive, finance, writing instruments and office supplies, and beverage industries through partnerships and joint ventures with leading international companies.

History

The Company was formed in 1996 by Efes Beverage Group, which has been active in Eastern Europe, the Balkans and the CIS since 1991, when it started to explore opportunities for expansion in those markets. In 1994, Efes Beverage Group began distributing its locally produced *Efes Pilsener* beer in Romania. In 1996, Efes Beverage Group acquired a brewery in Karaganda, Kazakhstan. In 1997, Efes Beverage Group entered into a joint venture with Knyaz Rurik, to develop a maltery and brewery complex in Moscow. Efes Beverage Group established a greenfield brewery in Ploiesti, Romania in 1997. In 1998, the Romanian brewery began commercial production, and Efes Beverage Group consolidated its international beer operations through a reorganisation that resulted in the creation of EBI. Since 1998, all international brewing operations of the Efes Beverage Group have been conducted through EBI.

In 1998, EBI began commercial production in Kazakhstan. In 1999, EBI began commercial production in Russia and in 2000, the Romanian operations were restructured as a 50:50 joint venture with Interbrew. In 2001, EBI acquired a majority interest in a brewery in Odessa, Ukraine, which ceased commercial activities in May 2004 and is currently in the process of being sold. In 2002, EBI established a brewery in Rostov, Russia, which commenced commercial production in 2003. In 2003, EBI purchased a brewery at Ufa, its third production facility in Russia, and began commercial production at its second brewery in Kazakhstan, in Almaty. In that year, EBI also acquired majority interests in breweries in Chisinau, Moldova and Belgrade, Serbia. In September 2004, the Company acquired a second brewery in Serbia.

Key Strengths

Management believes that the key strengths of EBI include:

- **Presence in high-growth markets.** The reasons for EBI's focus on the Territories include:
 - (i) *The large size of the Territories' combined population:* The combined population of the Territories is approximately 194.8 million with an average per capita beer consumption of 48.8 litres per year, compared with a combined population in Western Europe of 390.2 million and an estimated Western European average per capita beer consumption of approximately 75.1 litres in 2003.
 - (ii) *The historically and expected high growth rate in private consumption and income in the Territories:* From 1999 to 2003, the compound annual growth rate ("CAGR") for beer consumption in the Territories was approximately 11.2% over the period, compared to a negative CAGR for beer consumption in Western Europe of approximately 1.0% over the same period.
 - (iii) *The advantage that EBI's early entry into the Territories has given it in the ongoing consolidation process of the beer industry:* In Russia, EBI's largest market, accounting for approximately 62.8% of EBI's sales volume in 2003, the top five beer companies accounted for approximately 67.8% of sales volume in June 2004. In Western Europe, concentrations in market share are generally higher, for example, in France the top three brewers jointly held a market share by sales volume of approximately 86.0% of the market in 2003.
 - (iv) *The historical and accelerating shift in demand from low quality beer to premium beer in the Territories:* In Russia, mid-priced and low-priced brands accounted for approximately 86.3% of sales volume in the beer market in 2000, with local premium, licensed and imported brands accounting for the remaining approximately 13.7% of sales volume. By 2003, mid-priced and low-priced brands held a decreased share of approximately 81.6% of sales volume, while the share of sales volume held by local premium, licensed and imported brands had increased to approximately 18.4%, with local premium brands alone accounting for 14.1%.
- **Leading market positions.** EBI is among the leading brewers, and its product portfolio includes some of the most popular and well-known beer brands, in the Territories. EBI's *Sary Melnik* brand is the market leader in the Russian beer market within the local premium segment in volume and value terms. EBI's products lead the Moldovan beer market in volume and value terms and EBI's *Karagandinskoe's* brand leads the Kazakh beer market in volume terms. Accordingly, Management believes that EBI is well placed to benefit from the continuing growth of the beer markets in the Territories, which Management believes will continue to generate increasing interest and demand for EBI's existing products and present opportunities for expanding its product portfolio.
- **Branding and marketing expertise.** EBI has developed considerable expertise in re-launching existing, and creating new beer brands, and promoting them to national prominence in each of the Territories. A key component of EBI's branding and marketing strategy is to reinforce the national characteristics of most of its brands. In Russia, for example, EBI launched the *Sary Melnik* (meaning "Old Miller") brand in 1999, and it is now one of the most widely recognised beer brands in the country. In 2001 in Kazakhstan, EBI re-introduced the *Karagandinskoe* brand, and it is now one of the most well-known beer brands in that country. EBI also benefits from Efes Beverage Group's expertise and experience in promoting the *Efes Pilsener* brand. Management also believes that the expertise and experience gained by the Operating Companies in their respective Territories is a key ingredient in the Territory-specific promotion strategy of the *Efes Pilsener* brand.
- **Tactical premium product positioning.** EBI's products are predominantly positioned in the most profitable or fastest growing segments of the beer markets in the Territories. For instance, in Russia, EBI's products are positioned primarily in the licensed and local premium segments of the market. These two segments combined grew by approximately 4.7% in terms of value in 2003 compared to

2002. Production of licensed and local premium products constituted an aggregate of 84.6% of EBI's total volume production in Russia in 2003, and EBI's market share by value in these segments was 12.6% and 37.4%, respectively, for June 2004 in the Moscow region and 11.1% and 22.8%, respectively, for June 2004 in Russia. Further, EBI has introduced additional new products within segments that represent significant further growth opportunities. For example, in Russia, sales of PET packaged beer products grew from 29.2% in June 2001 to 41.8% in June 2004 in terms of volume. To benefit from this trend EBI introduced its mid-priced *Beliy Medved* brand (meaning "White Bear") in 2003, whose PET sales volume was approximately 62.4% of the brand's sales volume for that year.

- **Expertise in managing organic growth and integrating acquisitions.** EBI has a track record of over seven years of successfully managing rapid organic growth and integrating new acquisitions into its production. EBI has grown through a combination of strategic acquisitions, greenfield developments and modular expansion of its brewing facilities, demonstrating its ability to apply the know-how within Efes Beverage Group, while developing its own experience and expertise in managing growth. This expertise and know-how is transferred to EBI through long-term management and technical support agreements between Efes Beverage Group and the Operating Companies. See "— Efes Beverage Group Support" and "Related Party Transactions".
- **Quality and experience of Management.** Management believes that it has a distinct advantage over competitors because of its accumulated experience in the Territories, and the length of time that many members of Management have worked together. Locally recruited managers have been trained in the Efes Beverage Group system and culture and have been promoted to senior positions across EBI. EBI actively recruits from leading international companies in each of the Territories and places special emphasis on in-house training of new recruits.

Strategy

EBI's current long-term strategic goal is to be one of the leading brewers in the region extending from the Adriatic Sea to the borders of the People's Republic of China. To achieve this goal, EBI will continue to pursue a strategy aimed at increasing revenue and profits, including:

- **Capitalise on the growth of the beer market in the Territories.** As the beer market grows in the territories, EBI intends to support increased demand for its products by:
 - (i) increasing the production capacity of its existing brewing facilities through the installation of additional production lines to create production centres serving areas with demonstrated growth potential. For example, EBI has recently expanded the annual capacity of its Moscow brewery from approximately 3.0 million hectolitres to approximately 4.5 million hectolitres and plans to make a follow-up investment in the Almaty plant in 2006, which, if made, will double its annual capacity to approximately 1.2 million hectolitres. The expanded plant in Almaty will not only support sales in the Almaty region, but will also allow EBI to better position and distribute its beer products in southern Kazakhstan;
 - (ii) establishing additional breweries in the Territories, through acquisition or greenfield construction, where attractive opportunities are identified, such as the completed acquisition of a brewery in Ufa, Russia and the establishment of the greenfield breweries in Rostov, Russia and in Almaty, Kazakhstan in 2003 and the acquisition in September 2004 of a second brewery in Zaječar, Serbia; and
 - (iii) expanding its distribution system. EBI seeks to continuously expand its product distribution in the Territories through a combination of: strategic placement of production centres in order to carry out direct distribution in high density population areas; use of Efes Beverage Group's distribution network where possible; and fostering preferential relationships with authorised dealers in other geographic areas. For example, EBI will further develop its direct order taking and direct and indirect distribution in high-density population areas like Moscow, Russia and Chisinau, Moldova; in Kazakhstan it will largely continue to use the existing distribution

network of Efes Beverage Group; and in other areas it will continue to rely on authorised dealers while deploying on-the-ground sales managers to monitor distribution and promote relationships with local authorised dealers.

- **Expand into new countries.** EBI intends to explore acquisition, alliance and greenfield opportunities in other countries in proximity to the Territories where EBI believes it can develop successful brewing operations. To that end, EBI acquired breweries in Moldova and Serbia in 2003 and recently acquired, in September 2004, a second brewery in Serbia. Through acquisitions of strong local businesses, EBI is able to gain access to established breweries, brands and distribution networks in new markets that will provide a platform to facilitate growth. Management believes that the existing sales and marketing organisation of such companies will help EBI to address local environments more rapidly. However, if EBI cannot find suitable targets for strategic alliances, acquisitions or joint ventures, it plans to undertake greenfield projects.
- **Focus on high margin and growing segments.** EBI focuses on the most profitable segments or those with the highest growth potential in the beer markets in the Territories. EBI intends to capitalise on the continuing and accelerating shift in consumer demand in the Territories from low quality beer products to premium beer, which is fuelled by growing disposable income. EBI seeks to maintain a higher market share by value than by sales volume. To this end, EBI has positioned most of its products in the local premium segment of the market, and also offers *Efes Pilsener* as a licensed brand. These products generally have higher margins than those in the mid-priced segment, and Management believes that these products will continue to capture an increasing share of the overall beer market in the Territories.
- **Continue to create and invest in brands and pursue aggressive marketing campaigns.** EBI views its brand portfolio as a key asset, as brand perception is a critical factor in a consumer's choice of beer. The Operating Companies make extensive use of advertising, using appropriate media channels, and sponsor sports, including football (soccer), ice figure skating and basketball, and cultural events such as music concerts. EBI intends to continue to promote its brands extensively in order to further increase brand awareness and customer loyalty across the Territories with the objective of gaining market share.

Efes Beverage Group Support

The Company is a majority-owned subsidiary of Anadolu Efes, which together with the direct and indirect subsidiaries and affiliates constituting the Efes Beverage Group, produces and markets beer, bottled water, malt and soft drinks across Turkey and other countries in Eastern Europe, the Balkans and the CIS. Efes Beverage Group has been active in South East Europe and Central Asia since 1991, when it first started to examine opportunities to develop new markets for its business. At present, Efes Beverage Group exports Efes branded beer products to 42 countries including France, Germany, Iraq, Kosovo, Lebanon, The Netherlands, Switzerland, Turkmenistan, the United Arab Emirates and the United Kingdom. Efes Beverage Group's five breweries, two malteries and one hop processing plant and distribution company in Turkey represent more than three-quarters of the brewing and malting capacity in Turkey, where it has a market share by sales volume of approximately 77.0% in 2003.

Anadolu Efes is the largest local shareholder of Coca-Cola Icecek A.S. ("Coca-Cola Turkey"), which undertakes bottling and distribution activities in Turkey, which has an annual bottling capacity of approximately 375.0 million unit cases, and of Efes Sinai Yatirim Holding A.S. ("Efes Invest"), which owns and operates Coca-Cola bottling and distribution activities in Azerbaijan, Kazakhstan, Kyrgyzstan and Turkmenistan and has an annual capacity of approximately 43 million unit cases.

Efes Beverage Group's annual brewing capacity of approximately 20.0 million hectolitres, malting capacity of approximately 150,000 tonnes and Coca-Cola bottling capacity of approximately 420.0 million unit cases, make Efes Beverage Group one of the leading beverage groups in Turkey, the CIS, Eastern Europe and the Balkans. Efes Beverage Group generated consolidated net sales of US\$745.7 million in 2003.

Through commercial arrangements with various companies within Efes Beverage Group, the Operating Companies are granted licenses to produce and market *Efes Pilsener* and produce and market certain local brands within their Territories, such as *Sary Melnik* in Russia, Moldova and Kazakhstan, *Karagandinskoe* in Kazakhstan, and *Caraiman* in Romania. EBI also receives management support from Efes Beverage Group and administrative services including management systems and techniques, strategic planning, procurement services such as assisting in the selection of raw materials and ensuring that sufficient supplies of any required raw materials are available, including procuring raw materials from abroad in the event that raw materials are not available through the usual channels. EBI also receives marketing, distribution and sales services, including assistance with customer service, 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. EBI, through the Operating Companies, pays Efes Beverage Group annual fees ranging from 2.0% to 3.0% of the relevant Operating Company's net sales in return for the support provided. For a more extensive description of EBI's relationship with Efes Beverage Group, see "Risk Factors — Relationship between EBI and Efes Beverage Group" and "Related Party Transactions".

Marketing

EBI views its brand portfolio as a key asset, as Management 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 consisting of at least one brand positioned visibly as a local premium brand and a licensed or imported brand, which is *Efes Pilsener*. Management 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 beer brands. With respect to the *Efes Pilsener* brand, marketing efforts are coordinated with the marketing strategy of Efes Beverage Group and are aimed at reinforcing the image of the brand as a premium international beer. Because EBI focuses on beer market segments that have increasing market shares by value and higher-than-average prices, EBI's marketing efforts are focused on reaching consumers in the local premium and licensed segments and on attaining and maintaining a greater market share by value than by sales volume. Each Operating Company funds all marketing activities within its Territory both in respect of the *Efes Pilsener* licensed brand and its local brands. The following table sets forth EBI's brands in each Territory and their segments.

| | Segments | |
|----------------------|--|--------------------------|
| | Premium | Mid-priced segment |
| Russia | <i>Efes Pilsener, Warsteiner, Sary Melnik, Sokol</i> | <i>Beliy Medved</i> |
| Moldova | <i>Efes Pilsener, Vitanta, Sary Melnik</i> | <i>Chisinau, Arc</i> |
| Kazakhstan | <i>Efes Pilsener, Sary Melnik</i> | <i>Karagandinskoe</i> |
| Romania | <i>Efes Pilsener</i> | <i>Caraiman</i> |
| Serbia | <i>Efes Pilsener</i> | <i>Weifert, Standard</i> |

EBI's marketing is principally aimed at the population aged from 18 to 40. EBI focuses on this particular demographic group because people within this age range consume more beer per capita than other age groups, as they are generally more receptive to Western per capita consumption patterns and are more likely to remain loyal to a brand if they form that loyalty at a young age. Management believes that beer brands have longer product life cycles than brands in many other consumer product sectors and that the strength of a beer brand tends to endure over a long period of time once brand loyalty is established.

EBI markets its brands in each of the Territories extensively through a broad range of marketing channels, including, among others, TV, billboard and radio advertising and consumer promotions. EBI also sponsors high profile sports, music festivals and other special events, thereby giving broad exposure to the local brands and to the *Efes Pilsener* brand. The combined marketing and advertising expenditures of EBI as a percentage of total sales was approximately 11.2% in 2003. Russia and Kazakhstan recently introduced laws restricting beer advertising. See "Risk Factors — Risks Relating to the Territories — Restrictions on Beer Advertising May Adversely Affect EBI's Business Condition". Management believes these restrictions will primarily affect potential market entrants, acting as a barrier to entry by disabling the use of an important

brand building tool. Management also believes that these restrictions could, to some extent, represent an obstacle for incumbent participants to launch new products. However, Management believes that these new restrictions are unlikely to significantly affect brand recognition of existing brands of incumbent participants such as Efes Russia and Efes Kazakhstan. In any event, Management believes that EBI benefits from Anadolu Efes' extensive experience operating in markets with similar restrictions.

TV advertising is important in EBI's overall marketing strategy as it allows EBI to promote its brands at a national level, especially where TV advertising is unrestricted. The national brand standing promotes customer loyalty and latent demand for EBI's products and facilitates future growth by providing a solid consumer base in different regions within the Territories, when investments outside the initial areas of operations commence.

EBI sponsors various sporting and cultural events in the Territories, and particularly in Territories where TV advertising is restricted or impractical. One of these activities is promotion in certain of the Territories of the "Efes Pilsen" basketball team by 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 Territories, 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. In Russia, also, Efes Russia promotes the *Stary Melnik* brand through sponsorship of the national football (soccer) team, and, in Serbia, EBI sponsors the Serbian national basketball league, which is called "Efes Premier League". In Moldova, Efes Moldova promotes the *Chisinau* brand through sponsorship of the Moldovan National Olympic Team. In addition to sports sponsorships, the Operating Companies sponsor cultural events such as music concerts, which attract widespread media attention and reach a broad base of consumers.

The Operating Companies also organise on-premise promotional activities conduct regular point-of-sale visits, and arrange special promotions for key accounts. For a more detailed discussion of marketing and sales in each Territory see "— Marketing, Sales and Distribution" under the description of "— Operations" by country below.

Sales and Distribution

EBI sells its beer products either to outlets through direct order taking or to authorised dealers who are wholesalers. Depending on the Territory, outlets can consist of supermarkets, mini markets, food shops, kiosks, bars, restaurants, pubs or cafes. Authorised dealers assume the risk of sale after delivery to them. Generally, in high-density population areas, such as Belgrade, Chisinau, Moscow, Rostov and St. Petersburg, EBI's own sales force engages in direct order taking with the outlets. EBI's delivery systems include direct store delivery, whereby EBI's own personnel deliver the beer products to the customer's premises, and indirect delivery, which is conducted through independent distributors. Although in some areas, such as in Chisinau and Moscow, EBI's direct order taking is largely matched by direct store delivery, in other high-density population areas, such as Belgrade, Rostov and St. Petersburg, EBI uses independent distributors for distribution while sales are made mostly by direct order taking. In Kazakhstan, whose large geographic area results in widely spread distribution outlets, EBI benefits from Efes Beverage Group's broad distribution network for soft drinks in Kazakhstan, where Efes-Invest, a subsidiary of Anadolu Efes, distributes Efes Kazakhstan's beer products together with Coca-Cola products in the Almaty and Astana areas. Likewise, Efes Kazakhstan distributes Coca-Cola products together with beer in Karaganda. In areas where EBI does not have direct distribution arrangements or where EBI does not leverage the distribution network of the Efes Beverage Group, EBI places significant emphasis on its relationship with authorised dealers, thereby minimising logistical complexity. Management believes that its efforts to promote EBI's relationships with authorised dealers have proven beneficial in achieving favourable distribution in the areas covered. For a more detailed description of distribution in each Territory, see "— Marketing, Sales and Distribution" under the description of "— Markets and Operations" by country below.

Operations

The following table sets forth the countries comprising the Territories, and, for each Territory, EBI's market position, market share (by both value and sales volume) and the number of breweries EBI operates.

| For the six-month Period Ended 30 June 2004 | | | | | | |
|---|---|--------------------------------------|--|---|---------------------|-----------------------------------|
| | Market position by value ⁽¹⁾ | Market share by value ⁽¹⁾ | Market position by sales volume ⁽¹⁾ | Market share by sales volume ⁽¹⁾ | Number of breweries | Commencement of operations by EBI |
| Russia | 3rd | 7.9% | 3rd | 6.8% | 3 | 1999 |
| Moldova | 1st | 70.9% | 1st | 75.8% | 1 | 2003 |
| Kazakhstan | 2nd | 16.7% | 2nd | 17.4% | 2 | 1998 |
| Romania ⁽²⁾ | N/A | N/A | N/A | N/A | 1 | 2000 |
| Serbia ⁽³⁾ | N/A | N/A | N/A | N/A | 2 | 2003 |

(1) For all beer products across all beer segments. All market share information has been obtained from independent third parties in EBI-commissioned reports.

(2) Interbrew Efes Romania is operated as a joint venture with Interbrew and produces Interbrew and EBI brands. Therefore, there is no comparable market share information for Interbrew Efes Romania.

(3) EBI commenced operations in Serbia in the second half of 2003 and Management believes that operations have not yet grown to a level where market share information would be meaningful to an understanding of EBI's prospects in Serbia. In September 2004, the Company acquired its second brewery in Serbia at Zaječar.

In the last 12 months, there have been no interruptions in EBI's business that may have or have had a significant effect on EBI's financial position.

Operations in Russia

Overview

Efes Russia ranks third in terms of market share by value in Russia, with 7.9%, and third in terms of market share by sales volume, with 6.8%, for June 2004. Efes Russia operates a brewery in each of Moscow, Rostov and Ufa, currently with an aggregate capacity of approximately 6.7 million hectolitres per year and with an aggregate sales volume in 2003 of approximately 3.3 million hectolitres. In 2001, 2002 and 2003, Efes Russia had net sales of US\$87.5 million, US\$126.1 million and US\$202.8 million, respectively. As at 31 December 2003, Efes Russia had 1,407 full-time employees. The size of the beer market in Russia is estimated to be approximately 74.9 million hectolitres and has been growing at an estimated CAGR of approximately 14.6% between 1999 and 2003, making it one of the highest growth beer markets in Europe.

According to ACNielsen, the Moscow region represents one of the largest beer markets in Russia by sales volume, with approximately 18.3% of national consumption for the period from 1 January 2004 to 30 June 2004. Efes Russia is the largest and one of the most successful operations of EBI, and is expected to provide a blueprint for future developments of EBI. Within three and a half years of commencing activities, Efes Russia had become the second largest brewer in terms of value in the highly competitive Moscow region. Management believes that the marked success achieved in Efes Russia is largely attributable to strategic brand positioning, marketing and distribution.

Efes Russia was established by EBI in March 1997 with the participation of Knyaz Rurik, a closed joint-stock company established by the government of the City of Moscow. It was established to build a brewery and malting complex in Moscow and undertake the production, marketing and sale of beer and malt. Construction of the Moscow brewery started in January 1998 with an annual capacity of 1.5 million hectolitres, and commercial production commenced in May 1999. The annual capacity of the brewery was increased to approximately 2.2 million hectolitres during 2001 and to approximately 3.0 million hectolitres in 2002 and then to its current annual capacity of approximately 4.5 million hectolitres. In November 2001, Efes Russia commenced construction of a new state-of-the-art brewery in Rostov, where commercial production began in June 2003. In May 2003, EBI entered into an agreement (the "Amstar Agreement") with Amsterdam Breweries, pursuant to which Efes Russia acquired 100% of the share capital of OAO Amstar

("Amstar"), whose principal asset was a brewery in Ufa, through a combination of cash and shares in Efes Russia constituting approximately 12.4% of the share capital of Efes Russia on a diluted basis. Under the Amstar Agreement, Efes Russia has agreed to pay a total annual dividend of US\$3.0 million if it has distributable profits as long as such dividend does not jeopardise the normal development of Efes Russia. The Amstar acquisition was financed in part with a loan jointly arranged by the EBRD and ABN Amro Bank N.V. Pursuant to the Amstar Agreement, EBI granted a put option to Amsterdam Breweries (in respect of its 12.4% shareholding in Efes Russia) that will be exercisable between August 2005 and August 2007 at a price to be the higher of the value as determined by an independent valuation and a calculation based on eight times EBITDA minus Net Indebtedness per share. EBITDA means operating profit plus depreciation and amortisation plus non-cash expense items up to operating profit plus other income other than extraordinary income items minus non-cash income items up to operating profit minus other expenses other than extraordinary expense items. Net Indebtedness means long and short term borrowing plus payables to fixed asset suppliers plus payables to shareholders plus advances taken plus contractual contingent liabilities minus cash minus marketable securities minus advances paid. In this context, EBITDA and Net Indebtedness are to be derived from the consolidated financial statements of Efes Russia for the 12-month period ended on (i) 31 December of any given year in case the put option is exercised between 1 January and 30 June of any given year or (ii) 30 June of any given year in case the put option is exercised between 30 June and 31 December of that year. Production at the Ufa brewery continued without interruption through its acquisition by Efes Russia.

Currently EBI owns, directly or indirectly, 71.0% of Efes Russia, Amsterdam Breweries owns 12.4%, the EBRD owns 8.8%, EL&EL owns 3.9%, Knyaz Rurik owns 2.6% and Mosimmobilia Immobiliengesellschaft GmbH owns 1.3%.

Pursuant to a put option agreement dated 15 June 1998 a put option was granted to the EBRD by the Company that may be exercisable between 2008 and 2011. By such put option, the EBRD will be entitled to sell its 8.8% shareholding in Efes Russia to the Company at an option price to be determined by the higher of an independent valuation and a price to be determined by the EBRD in order to give the EBRD a rate of return on its investment in Efes Russia shares equal to the six-month U.S. dollar interbank rate plus 410 basis points per annum cumulative and compounded every six months, calculated from the date the respective subscription moneys were paid less any dividends or bonus shares paid to the EBRD.

EBI holds a 11.1% stake in ZAO Mutena Maltery ("Mutena Maltery"), a malt production facility adjacent to the Moscow brewery, with an annual capacity of approximately 46,000 tonnes. Efes Beverage Group manages Mutena Maltery under a management contract with Efes Holland. As such, Efes Russia is able to provide a substantial part of the requirements for malt, a key raw material, to its brewing operations, representing a distinct competitive advantage.

The company address of Efes Russia is 113546 Birulevo, Promzona 28A Ulitsza Podolskikh, Kursatov, Russia.

Products

Currently, Efes Russia markets five different beer brands. The brands are *Efes Pilsener* and *Warsteiner* in the licensed brands segment, *Stary Melnik* and *Sokol* in the local premium segment, and *Beliy Medved* in the mid-priced segment. During 2003, Efes Pilsener accounted for approximately 14.0% of Efes Russia's sales volume, *Warsteiner* for approximately 2.0%, *Stary Melnik* for approximately 68.0%, *Sokol* for approximately 1.0% and *Beliy Medved* for approximately 15.0%. Efes Russia brews *Warsteiner* under a ten-year licence from Warsteiner Brauerei Haus Cramer KG. *Efes Pilsener* is among the three leading brands in the licensed segment and *Stary Melnik* is the leader in the local premium segment of the Russian beer market as of June 2004.

Efes Russia's products are currently packaged in cans, kegs, 33 and 50 centilitre glass bottles and PET containers. In 2003, bottles, cans, kegs and PET containers accounted for approximately 65.0%, 22.0%, 3.0% and 10.0% of Efes Russia's sales volume, respectively.

Production Facilities

Efes Russia operates a brewery in each of Moscow, Rostov and Ufa. The annual capacity is 4.5 million hectolitres at the Moscow brewery, 1.0 million hectolitres at the Rostov brewery and 1.2 million hectolitres at the Ufa brewery.

Since construction of the Moscow brewery began in 1997, EBI has made substantial investments to increase capacity. In the first half of 2004, capacity at the Moscow brewery was increased to its current level from approximately 3.0 million hectolitres in 2003, approximately 2.2 million hectolitres in 2001 and approximately 1.5 million hectolitres in 1999. The initial layout and modular infrastructure of the brewery provided a combined platform to expand the capacity rapidly and at a lower cost relative to the initial capital outlay. Currently, the Moscow brewery produces *Beliy Medved*, *Stary Melnik*, *Sokol*, *Warsteiner* and *Efes Pilsener* beer products. The plant occupies a total area of approximately 127,000 square metres, including a closed production area of approximately 25,000 square metres and a warehousing area of approximately 56,000 square metres. Average capacity utilisation for the year ended 31 December 2003 was 86.5%.

The facilities in Rostov, which were formerly operated as a Coca-Cola franchise in the region, have been leased since March 2002 by Efes Russia from Rostov Beverage CJSC (formerly known as Coca Cola Rostov Bottlers CJSC) ("Rostov Beverage"), a subsidiary of Efes Invest, which is a sister company of EBI under Anadolu Efes and were converted by Efes Russia into a brewery with a capacity of 1.0 million hectolitres. Efes Russia pays an annual rent of US\$1.25 million to Rostov Beverage to lease the manufacturing premises and its related equipment for six years. Currently, the Rostov brewery produces *Beliy Medved*, *Sokol*, *Stary Melnik* and *Efes Pilsener* beer products. The beer produced at the Rostov brewery is packaged in kegs, PET containers and 33 and 50 centilitre glass bottles. The current installed capacity of the brewery is approximately 1.0 million hectolitres per year, and the plant occupies a total area of approximately 67,845 square metres, including a closed production area of approximately 13,692 square metres and a warehousing area of approximately 9,150 square metres. Average capacity utilisation was 38.8% for the period between June (when production commenced) and December 2003.

Efes Russia acquired the brewery in Ufa in August 2003. Currently, the Ufa brewery produces *Beliy Medved*, *Stary Melnik*, *Sokol* and *Efes Pilsener* beer products. The beer produced at the Ufa brewery is packaged in kegs, PET containers and 50 centilitre glass bottles. The current installed capacity of the brewery is approximately 1.2 million hectolitres per year, and the plant occupies a total area of 75,720 square metres, including a closed production area of approximately 37,107 square metres and a warehousing area of approximately 5,000 square metres. For the period from August 2003, when EBI acquired the Ufa brewery, to December 2003, average capacity utilisation was 76.7%.

Marketing, Sales and Distribution

Marketing efforts in the Russian market are aimed at expanding net sales of the mid-priced and local premium brands and at promoting the international *Efes Pilsener* and *Warsteiner* brands. *Stary Melnik* is positioned in the local premium segment and *Efes Pilsener* is positioned in the licensed segment, which is the fastest growing segment in Russia and priced between local premiums and imports. The launch of *Stary Melnik* in 1999 was followed by an intense campaign of television and outdoor advertising that is still ongoing, which Management believes is largely responsible for the brand's market share by volume reaching approximately 23.5% in the local premium segment in Russia, and approximately 40.4% in Moscow for June 2004.

Presently, Efes Russia employs direct order taking in seven cities in Russia, including Moscow, Rostov and St. Petersburg, and covers neighbouring regions as well as other metropolitan cities by sales to authorised dealers. Sales effected by means of direct order taking represented approximately 14.0% of total Efes Russia's sales for 2003. The direct sales and distribution force of Efes Russia consists of 118 sales people. The remaining 86.0% of Efes Russia's sales for 2003 were sales to authorised dealers pursuant to a standard dealership agreement. Efes Russia currently has approximately 123 authorised dealers. The profit margin agreed with each authorised dealer and distributor varies according to several factors, the most significant of which are the transportation costs incurred in distribution.

Russian retailers that sell beer products can be broadly classified under six categories: (i) supermarkets with a selling area of at least 300 square metres, two or more checkouts and self-service; (ii) mini markets with a selling area of under 300 square metres and usually one checkout; (iii) food stores which stock a wide range of foods; (iv) “kiosks”, selling items such as cigarettes, beer, soft drinks, and snacks, where customers are served through a glass window with a selling area of under 12 square metres; (v) “pavilions”, which are relatively larger kiosks in which several customers can be served; and (vi) open markets which are groups of kiosks or pavilions. The majority of the sales points consist of smaller retail points, with food stores constituting 58.8% of all retail outlets in Russia, followed by kiosks, pavilions, and open markets collectively constituting 35.0%.

The other points of sale are primarily pubs, bars, cafés and restaurants, whose sales are for on-premise consumption. Through its distribution network, Efes Russia serves approximately 3,500 outlets through direct order taking, of which approximately 2,757 are served through direct store delivery.

Operations in Moldova

Overview

Efes Moldova is the largest brewer in the country, with a market share by value of approximately 70.9% and by sales volume of approximately 75.8% for the two-month period ended 30 June 2004. Efes Moldova operates a brewery in Chisinau, with a brewing capacity of 0.8 million hectolitres per year and soft drink bottling capacity of 0.4 million hectolitres and sales volume of 0.5 million hectolitres of beer in 2003. In 2003, net sales of Efes Moldova were US\$22.0 million. As at 31 December 2003, Efes Moldova had 690 full-time employees. The size of the beer market in Moldova is estimated to be approximately 0.60 million hectolitres and has been growing at an estimated CAGR of approximately 27.6% between 1999 and 2003.

In January 2003, EBI acquired 96.5% of the outstanding shares of Vitanta Intravest S.A. (“Vitanta”) in Moldova, which owned the brewery in Chisinau. The brewery continued operating without interruption through and after the acquisition.

Currently, EBI owns 96.5% of Efes Moldova and the remainder is held by individual shareholders.

The company address of Efes Moldova is 167 Uzinelor Street MD Chisinau, Moldova.

Products

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 *Sary Melnik* are sold as imported brands. In 2003, *Chisinau* accounted for 65.0% of Efes Moldova’s sales volume, *Arc* for 18.0%, *Vitanta* for 7.0%, *Efes Pilsener* for 1.0% and *Sary Melnik* for 1.0%. The remainder of sales volume is comprised of sales of bottled water and other non-alcoholic drinks, and ready-to-drink alcoholic products.

Products are packaged in returnable 50 centilitre glass bottles, kegs and PET containers. In 2003, bottles, kegs and PET containers accounted for 63.0%, 14.0% and 23.0% of total sales volume, respectively.

Efes Moldova also produces and markets soft drinks, bottled water and ready-to-drink products. Efes Moldova’s soft drink brand *Viva* is currently the leader within the Moldovan soft drinks market, with a share of 47.3% of sales volume in Moldova for the two-month period ended 30 June 2004. With a view to consolidating *Viva*’s leading position, Efes Moldova re-launched the *Viva* brand with a new label design and marketing campaign in 2003. Efes Moldova’s three ready-to-drink products are the only products of that type sold in Moldova. Efes Moldova also sells and markets its *Real* brand of bottled water in Moldova.

Production Facilities

Efes Moldova owns and operates one brewery in Chisinau. The brewery was constructed in 1974 and Efes Moldova acquired it in 2003. Since EBI acquired the brewery it has installed cylindrical conical tanks and a PET container filling line.

The installed capacity of the brewery is 0.8 million hectolitres per year and the plant occupies a total area of 74,440 square metres. Average capacity utilisation was 71.8% for the year ended 31 December 2003.

Marketing, Sales and Distribution

Efes Moldova aims to reinforce *Chisinau* as the national beer of Moldova, position *Arc* as the alternative mid-priced beer, promote *Vitanta Premium* as a “heritage” local premium beer, and capture the high-end of the local premium segment of the market by promoting *Stary Melnik* as a Russian “soulful” import and *Efes Pilsener* as an international import. Because *Chisinau* is the flagship beer of the Efes brands in Moldova, with a market share by value of approximately 58.2% for December 2003, and with the aim of reinforcing its image as the national beer of the country, it is promoted through sponsorship of the Moldavan National Olympic team.

Currently Efes Moldova sells its products either to outlets through direct order taking or to authorised dealers who are wholesalers, and serves its outlet customers through direct store delivery at the customer’s premises. Efes Moldova engages in direct order taking and direct store delivery in Chisinau and covers other regions through authorised dealers. In 2003, 21.4% of Efes Moldova’s sales volume was sold through direct order taking. The direct sales and distribution force of Efes Moldova consists of 14 sales people. Efes Moldova has approximately 30 authorised dealers.

Operations in Kazakhstan

Overview

Efes Kazakhstan ranks second in Kazakhstan with a market share by value of approximately 16.7% and by sales volume of approximately 17.4% and its *Karagandinskoe* brand is the leading brand in the Kazakh beer market with a market share by sales volume of approximately 15.0%, in each case for the two-month period ended 30 July 2004. Efes Kazakhstan operates breweries in Karaganda and Almaty, with an aggregate capacity of 1.0 million hectolitres per year and sales volume of 0.5 million hectolitres for the year ended 31 December 2003. Efes Kazakhstan also produces malt, with a capacity of 6,500 tonnes. In 2003, net sales of Efes Kazakhstan were US\$20.7 million. As at 31 December 2003, Efes Kazakhstan had 531 full-time employees. The size of the beer market in Kazakhstan is estimated to be approximately 2.5 million hectolitres and has been growing at an estimated CAGR of approximately 15.9% between 1999 and 2003.

Efes Beverage Group entered the Kazakh market in 1996 by acquiring from the State Privatisation Committee of the Republic of Kazakhstan a brewing facility at Karaganda, with an installed annual capacity of 0.4 million hectolitres and a malting facility with an installed annual capacity of 6,500 tonnes. In October 2001, EBI commissioned the construction of an 0.6 million hectolitres brewery in Almaty, which was completed in July 2003 and began commercial production in August 2003.

Efes Kazakhstan is 100%-owned by EBI.

The company address of Efes Kazakhstan is 75 Gogol Street, 470046 Karaganda, Kazakhstan.

Products

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. *Karagandinskoe* accounted for 91.0% of sales volume in 2003, *Stary Melnik* for 8.0% and *Efes Pilsener* for 1.0%. Efes Kazakhstan produces and packages *Karagandinskoe*, *Stary Melnik* and *Efes Pilsener* in bottles and kegs and imports *Stary Melnik* and *Efes Pilsener* in can

packaging from Efes Russia. In 2003, bottles, cans and kegs accounted for approximately 78.0%, 0.3% and 21.7% of sales volume, respectively.

Production Facilities

Efes Kazakhstan owns and operates a brewery in each of Karaganda and Almaty. Investments at the Karaganda brewery include the renovation and modernisation of the existing brewery and the installation of machinery for the facility. Since the commencement of commercial production at the brewery in 1998, a bottling line, with a capacity of 24,000 bottles per hour and a pasteurising unit, were installed and pipelines, tanks and equipment for fermentation, filtration and daily storage were renewed. Today, the Karaganda brewery produces quality local beer with an extended shelf life, which allows for distribution throughout Kazakhstan.

The installed capacity of the Karaganda brewery is 0.4 million hectolitres per year and the plant occupies a total area of approximately 45,000 square metres, including a closed production area of approximately 30,000 square metres. Average capacity utilisation was 88.0% for the year ended 31 December 2003.

Efes Kazakhstan also has an in-house malting facility with an annual capacity of approximately 6,500 tonnes, ensuring a constant supply of malt and representing a distinct competitive advantage over many local producers who depend on the open market for their malt requirements.

In order to meet anticipated growth in demand, a second brewery with an annual capacity of 0.6 million hectolitres was constructed in the third quarter of 2003 in Almaty on approximately 150,000 square metres of land. The brewery is located approximately 25.0 kilometres from central Almaty, close to energy, water and other raw material sources. According to ACNielsen, the Almaty area is the largest beer market in Kazakhstan, with a retail beer market that accounts for a 21.8% share of the total, national, retail beer market. Efes Kazakhstan seeks to satisfy the demand in the Almaty and southern region of the country more effectively with the completion of the Almaty brewery.

The beer produced at the Almaty brewery is packaged in 33 and 50 centilitre glass bottles and kegs. The installed capacity of the brewery is 0.6 million hectolitres per year and the plant occupies a total area of 150,000 square metres, including 16,846 square metres of closed production area. Average capacity utilisation was 47.0% in the period from September (when production began) to December 2003.

Marketing, Sales and Distribution

Efes Kazakhstan plans to penetrate the Kazakh beer market further with each of its products: *Karagandinskoe* in the mid-priced segment; *Stary Melnik* in the local premium segment; and *Efes Pilsener* in the super premium segment. According to the research conducted by Associated Taylor Nelson Softres, *Karagandinskoe* is the best known brand in Kazakhstan, with a brand awareness of 95.0%. *Karagandinskoe* was successfully re-launched in July 2001, with an improved, international quality label design and a new advertising campaign.

Kazakhstan, due to its terrain and relatively large area, is a challenging market in terms of establishing a nationwide distribution network. However, to overcome the distribution challenges presented by the terrain, Efes Kazakhstan has extended the shelf life of its products and has rationalised distribution according to the location of its production centres. In the larger urban centres of Almaty and Astana (the capital of Kazakhstan), Efes Kazakhstan relies on the direct sales and distribution network of Efes Beverage Group, which also produces and sells soft drinks in that country. Efes Beverage Group's direct sales and distribution network consists of direct order taking from outlets and direct store delivery to them.

For 2003, 21.0% of Efes Kazakhstan's sales volume was sold and distributed through Efes Beverage Group's soft drinks direct sales and distribution system. In other regions of Kazakhstan, Efes Kazakhstan relies on 25 authorised dealers who are located in the various regions. For 2003, authorised dealers accounted for approximately 79.0% of Efes Kazakhstan's sales volume. The authorised dealers are supported and their performance is monitored by a regional sales manager employed by Efes Kazakhstan who supervises the sales

points, gauges the effectiveness of distribution, analyses local market trends and supports the authorised dealers.

Operations in Romania

Overview

Interbrew Efes Romania, a 50:50 joint venture between EBI and Interbrew, supplies approximately 9.0% of the Romanian market by sales volume. Interbrew Efes Romania operates a brewery in Ploiesti, 60 km from the capital Bucharest, with a total capacity of approximately 1.5 million hectolitres per year and sales volume in 2003 of approximately 1.1 million hectolitres, of which half is attributable to EBI under the joint venture terms. For the year ended 31 December 2003, net sales at Interbrew Efes Romania were US\$32.7 million, of which US\$16.4 million was attributable to EBI. As at 31 December 2003, Interbrew Efes Romania had 135 full-time employees. The size of the beer market in Romania is estimated to be approximately 11.9 million hectolitres and has been growing at an estimated CAGR of approximately 1.9% between 1999 and 2003.

Efes Beverage Group entered the Romanian market in 1994 to distribute *Efes Pilsener* beer, which at the time was produced under license by a local company. In 1997, Efes Beverage Group commenced building a greenfield brewery at Ploiesti with an annual capacity of approximately 1.5 million hectolitres, which began operating in 1998. In March 2000, EBI formed a strategic 50:50 joint venture in Romania with Interbrew in respect of its Romanian brewing operations. The strategic alliance is a production, sales, marketing and distribution-based partnership; while Interbrew and EBI jointly manage production, Interbrew manages sales, marketing and distribution activities and EBI supervises the marketing of its own brands in Romania.

The Company, directly and indirectly, owns 49.99%, Anadolu Efes effectively owns 0.01%, and members of the InBev (formerly known as "Interbrew") group own directly and indirectly 50% of Interbrew Efes Romania. This joint venture was formed pursuant to a shareholders' agreement (as amended, the "Interbrew Efes Shareholders' Agreement") dated 3 March 2000, and amended on 18 May 2004 (the "Amendment Date") between, on the one hand, the Company, Euro Asien Brauerein Holding GmbH ("EABH"), and Anadolu Efes (together, the "Efes Parties"), and, on the other hand, Interbrew Central European Holding B.V. and Interbrew International B.V. (together, the "InBev Parties"). Pursuant to the Interbrew Efes Shareholders' Agreement and related agreements, during the 24 months following the Amendment Date (the "Option Period"), the Efes Parties have various rights, including (i) an option to sell (the "Put Option") their shares in Interbrew Efes Romania to the InBev Parties for a price equal to €27.6 million minus any dividend to be paid plus any additional capital paid in by the Efes Parties prior to exercise of the Put Option and (ii) a right to veto any proposed merger of Interbrew Efes Romania with any other company. If, upon expiration of the Option Period (the "Option Expiration Date"), the Efes Parties have not exercised the Put Option, then Interbrew Romania S.A. ("IB Romania"), a subsidiary of the Interbrew Central Europe Holding B.V., may, at any time in the 24-month period following the Option Expiration Date (the "Share Swap Period"), request that the Efes Parties and InBev Parties exchange all of their shares of Interbrew Efes Romania for shares of IB Romania at a ratio to be agreed by the parties, and, failing agreement, to be established by an independent valuation (the "Share Swap") such that, pursuant to the Share Swap, Interbrew Efes Romania becomes a wholly-owned subsidiary of IB Romania and the Efes Parties become shareholders of IB Romania. Upon expiration of the Share Swap Period, and provided that the Share Swap has not taken place, an additional put option is triggered in favour of the Efes Parties on substantially the same terms as the Put Option described herein (subject to, among other things, an adjustment to the price of the shares due to currency fluctuations) for a period of 30 days following expiration of the Share Swap Period.

The company address of Interbrew Efes Romania is 287 Gh. Gr Cantacuzino Str, Ploiesti 2000, Romania.

Products

Currently, Interbrew Efes Romania produces two different brands with Efes Beverage Group trademarks. The first is the *Efes Pilsener* brand, with which EBI first entered the Romanian market, competing in the

premium beer market, and the second is *Caraiman* (named after a Romanian mountain), which was launched in January 1999 and competes in the mid-price segment of the Romanian beer market. In 2003, *Efes Pilsener* and *Caraiman* together accounted for 7.5% of Interbrew Efes Romania's sales volume. Both brands are packaged in 50 centilitre glass bottles and kegs. In 2003, bottles and kegs accounted for approximately 48% and 52% of the sales volume of EBI's brands, respectively.

In addition to these two brands, Interbrew Efes Romania is engaged in the production of Interbrew brands, which include *Stella Artois*, *Hopfen König* and *Bergensbier*.

Production Facilities

Interbrew Efes Romania owns one brewery in Ploiesti near Bucharest. Investments in Interbrew Efes Romania have included the construction of the brewery and the installation of machinery for the facility's bottling line and brewhouse. The brewery was constructed between January 1997 and December 1998, on land leased from the Ploiesti Municipality under a 49-year lease, and commercial production commenced in December 1998. Similar to Efes Russia, Interbrew Efes Romania has been designed with a modular infrastructure, which allows capacity increases to be completed rapidly and at a lower cost compared with the initial capital outlay.

The installed capacity of the brewery is approximately 1.5 million hectolitres per year, and the plant occupies a total area of approximately 120,000 square metres. Average capacity utilisation was 72.3% for the year ended 31 December 2003.

Marketing, Sales and Distribution

EBI shares 50.0% of Interbrew Efes Romania's profits or losses irrespective of which brands are sold and EBI relies on Interbrew for all marketing, sales and distribution activities of Interbrew Efes Romania.

Operations in Serbia

Overview

Efes Serbia operates a brewery in the outskirts of Belgrade, which it acquired in August 2003, with an aggregate capacity of approximately 0.4 million hectolitres per year and sales volume of approximately 0.2 million hectolitres in 2003. In addition, the Company recently acquired, in September 2004, 64.4% of the share capital of a brewery in Zaječar for approximately €12.6 million. EBI's two breweries in Serbia together had a market share by production volume of approximately 10.3% in Serbia in the period from January to August 2004, according to the Brewers' Association. In the last four months of 2003, following the acquisition of its first brewery near Belgrade, net sales of Efes Serbia were US\$1.5 million. As at 31 December 2003, Efes Serbia had approximately 233 full-time employees. The size of the beer market in Serbia is estimated to be approximately 5.2 million hectolitres and contracted at an estimated negative CAGR of approximately 4.0% between 1999 and 2003. However, the Serbian market is currently seeing signs of consolidation, which Management believes should lead to growth in the segments in which EBI operates. The Zaječar brewery has a total capacity of 1.0 million hectolitres per year and had sales volume of 0.4 million hectolitres in 2003.

Currently, the Company owns approximately 62.8%, the Serbian State owns 4.7% and individual shareholders (including employees) own 32.5% of Efes Serbia.

The company address of Efes Serbia is Stevana Supljikca bb, 26000 Pancevo, Serbia and Montenegro.

Products

Efes Serbia currently produces and sells two brands of beer, *Weifert*, which is positioned in the local mid-priced segment, and *Standard* which is positioned in the local low-priced segment, and sells *Efes Pilsener*, which is positioned in the import segment. *Standard* accounted for 73.0%, *Weifert* for 26.0% and *Efes Pilsener* for 1.0% of sales volume in 2003. Efes Serbia plans to produce *Efes Pilsener* in the near future.

Efes Serbia's locally produced brands are packaged in bottles, cans, kegs and PET containers, while *Efes Pilsener* is imported in bottle, can and keg packaging. In 2003, bottles, cans, kegs and PET containers accounted for approximately 70.2%, 0.3%, 2.0% and 27.5% of sales volume, respectively.

Production Facilities and Capacity

Efes Serbia operates one brewery near Belgrade with an annual capacity of 0.4 million hectolitres. The brewery was constructed in 1978. Since EBI acquired the brewery it has been modernised through the upgrading of the brew house and the installation of a tunnel pasteuriser and a new PET line.

The installed capacity of the brewery is approximately 0.4 million hectolitres per year, and the plant occupies a total area of 34,459 square metres. Average capacity utilisation was 37.4% for the year ended 31 December 2003.

Marketing, Sales and Distribution

Efes Serbia aims to establish *Weifert* as a leading brand in the mid-priced segment and *Efes Pilsener* as the leading brand in the upper end of the import segment. To achieve these goals, Efes Serbia intends to resume the marketing programme associating *Weifert* with core Serbian values, highlighting the long tradition of the brand in Serbia, while re-designing the packaging elements. Efes Serbia will continue to promote *Efes Pilsener* through sponsorship of the Serbian professional basketball league, a sport that is highly popular in that country.

Efes Serbia is currently implementing a direct order taking system in Belgrade, where delivery is through independent distributors. For other regions in Serbia, Efes Serbia relies on 40 authorised dealers.

The Brewing Process

The brewing process begins with barley, which is the fundamental ingredient of beer. Barley is malted and combined with other ingredients such as sugar, rice, corn or wheat, which are added to produce different beer flavours. The proportion of ancillary ingredients used in brewing varies according to local taste preferences and type of beer.

The brewing process begins with the malted barley being lightly crushed into a coarse powder called grist. At this stage, the other cereals can be introduced, if required by the brewer's recipe, to produce particular characteristics of flavour or colour or appearance. The grist is transferred to a large vessel called a mash tun, where it is mashed with hot water. The natural sugars within malt dissolve in the water (brewers term this water liquor), and eventually a sweet yellow liquid is run off. The wort, as it is called, is then boiled with hops in large vessels, known as coppers.

The next stage is fermentation, the most critical process of all. The hopped wort is cooled and run into fermentation vessels. Yeast is added, and it begins to convert the natural sugars into alcohol, carbon dioxide and a range of subtle flavours. Lagers are fermented with a yeast that works at cool temperatures and sinks to the bottom of the fermenting vessel. Known as bottom fermentation, to ensure hygienic conditions, enclosed fermenters are used with a conical base, in which the yeast settles into the base.

Lagers are brought to condition in the brewery, some are refined and filtered and some are pasteurised to guard against deterioration from microbes. They reach the consumer in kegs, bottles or cans. For lagers, there is a longer period of conditioning in the brewery at low temperature.

EBI's manufacturing facilities adhere to strict quality principles that control all stages of production starting from the raw material procurement stage and continuing throughout the production and distribution stages.

Raw Material Procurement

The principal raw materials used by EBI are barley, malt, hops, yeast, water and packaging materials, which include bottles, cans and kegs. The majority of raw materials used in the Operating Companies'

manufacture of beer products are supplied domestically. EBI manufactures an important part of the malt requirement for Efes Russia and Efes Kazakhstan at its malting plants in Moscow and in Karaganda, which have annual capacities of 46,000 tonnes and 6,500 tonnes, respectively, and obtains the remaining raw material requirements such as yeast, hops, barley and packaging materials from the open market. Therefore, EBI is able to generate a constant supply of malt to its principal operations in Russia and Kazakhstan, providing a distinct competitive advantage over many local producers in those Territories. The malt requirements of the other Operating Companies are obtained from third party suppliers.

The Territories are among the leading grain producers of the world, and Management does not expect any supply shortage of barley for malting. Rice, sugar and hops are procured locally, but are imported when the quality of such raw materials does not conform to the requirements of EBI's breweries. The costs of rice, sugar and hops are much less significant components of the total production cost compared to that of barley. Packaging materials, mainly bottles, kegs, cases and pallets are procured locally. The most important packaging elements are glass bottles. The changing consumption pattern in Russia, away from draught and towards bottled products, attracts investment from glass manufacturers, thereby ensuring an adequate supply of bottles.

Prices and sources of agricultural raw materials are largely dependent on a number of factors, including (i) crop production, (ii) weather conditions, (iii) export demand, and (iv) government regulations. EBI seeks to maintain downward pressure on raw material costs by strategically sourcing raw materials and working closely with major raw material suppliers. See "Risk Factors — Risks Relating to EBI's Industry — An Increase in the Prices of Certain Commodities and Raw Materials in the Market Could Result in Increased Costs for EBI".

Employees

As at 30 June 2004, EBI had 3,610 full-time employees (excluding employees at Efes Ukraine, which is currently in the process of being sold). The following table sets forth the total number of full-time employees by location for each of the Operating Companies for the periods indicated.

| <u>Operating Company</u> | <u>As at 31 December</u> | | | <u>As at</u> |
|---|--------------------------|--------------|--------------|----------------|
| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>30 June</u> |
| Efes Russia | 534 | 742 | 1,407 | 1,630 |
| Efes Moldova | n/a | n/a | 690 | 877 |
| Efes Kazakhstan | 300 | 320 | 531 | 741 |
| Interbrew Efes Romania ⁽¹⁾ | 200 | 142 | 135 | 139 |
| Efes Serbia | n/a | n/a | 233 | 223 |
| Total | <u>1,034</u> | <u>1,204</u> | <u>2,996</u> | <u>3,610</u> |

(1) Represents 100.0% of the total number of employees at Interbrew Efes Romania, in which EBI's ownership interest in the joint venture is 50.0%.

EBI also employs temporary workers from time to time. To the best of Management's knowledge, none of EBI's employees belong to unions or workers' syndicates and, with the exception of Efes Serbia and Efes Kazakhstan, there are no collective bargaining agreements between any of the companies in EBI and its employees. Management believes that EBI enjoys good relations with its employees.

Research and Development

Management considers research and development activities an important component of its business. Most research and development activities of EBI are undertaken in conjunction with the Efes Beverage Group. These activities include continuing research and development work on improvements in raw materials, products, and packaging and production techniques.

Research and development activities of the Efes Beverage Group are undertaken at facilities in Turkey, with the cooperation of several universities and the Ministry of Agriculture. The efforts of the Efes Beverage Group have yielded, in the last sixteen years, improved strains of barley seed such as Efes-3, Anadolu-98 and Efes-98, and have resulted in the creation of new, experimental seed varieties. Efes Beverage Group also conducts intensive research in hops varieties with a view to improving their quality and yield and has patented several varieties with the Turkish Ministry of Agriculture, including Efes Aroma, Erciyas, Ege and Güney hops. EBI evaluates on an ongoing basis the possible application of these products to its own production processes, under the coordination of the Efes Technical Directorate, which is located in Istanbul.

Aside from research into raw materials, the Operating Companies share their technical know-how through the Efes Technical Directorate. The Efes Technical Directorate oversees all of the design, implementation and development work of Efes Beverage Group's existing and new breweries. It also monitors and ensures that technical specifications for a given project are met and that construction is implemented as budgeted and scheduled. This expertise and know-how is transferred to EBI through long-term management and technical support agreements between Efes Beverage Group and the Operating Companies. See "Related Party Transactions" and "— Efes Beverage Group Support".

Intellectual Property Rights

Except for the trademarks relating to the *Efes Pilsener* brand, which are owned by Anadolu Efes and trademarks relating to the *Karagandinskoe* brand, which are owned by Anadolu Efes Technical and Management Consultancy N.V. ("AET"), an indirect subsidiary of Anadolu Efes incorporated in The Netherlands Antilles, the trademarks relating to the local brands are held by each respective Operating Company. Trademarks relating to the *Efes Pilsener* brand are sublicensed by Anadolu Efes to AET, which in turn sublicenses them to Efes Holland, a wholly-owned subsidiary of AET incorporated in The Netherlands. AET also licenses trademarks relating to the *Karagandinskoe* brand to Efes Holland. Efes Holland sublicenses the *Efes Pilsener* trademarks to the Operating Companies for use in the respective Territories and the *Karagandinskoe* brand to Efes Kazakhstan for use in Kazakhstan. Management believes that it has taken appropriate measures to protect all of its material intellectual property in the countries in which it is employed.

Competition

EBI's principal competitors consist of large multinational brewers operating in the Territories. EBI's competitors compete on the basis of price, brand image and quality. As EBI operates in countries with markets that are considerably under-saturated compared to Western European markets, there is significant competition over market share in environments with growing volumes. EBI's principal competitors are Interbrew in Russia and Serbia; BBH in Russia and Kazakhstan; European Drinks in Romania and Heineken in Kazakhstan and Russia. To a lesser extent, EBI also competes with many small local brewers in each country where it operates, none of which individually represents any significant competition. However, small local brewers collectively represent a significant competitive force in many of the countries in which EBI operates, including in Russia.

Legal Matters

Neither the Company nor EBI is involved in any legal proceeding or arbitration proceedings that may have or have had since 1 January 2003 a significant effect on the financial position of the Company or EBI; the Company is not aware that any such proceedings are pending or threatened.

Insurance

The Company has entered into contracts of guarantee with the Multilateral Investment Guarantee Agency for its operations in Russia and Kazakhstan. Pursuant to these contracts, the Company is entitled to compensation for certain losses that may result from transfer restrictions in Kazakhstan and Russia. In

Kazakhstan, the Company is entitled to further compensation for certain losses that may result from expropriation and war or civil disturbance.

Other Subsidiaries

The Company also owns several subsidiaries that are either in the process of being liquidated or are dormant. Subsidiaries that are in the process of liquidation are:

- Efes Romania Industrie Si Comert S.A. ("ERIC"), a 99.99%-owned Romanian subsidiary of the Company originally established to carry out marketing activities in Romania that are now carried out by Interbrew Efes Romania, and
- Efes Productie S.R.L., which is wholly-owned by EBI and another company in the Efes Beverage Group and was originally established to outsource the production of *Efes Pilsener* brand beer in Romania, which is now being produced by Interbrew Efes Romania.

Subsidiaries of the Company that are dormant are:

- Euro Asian Brauereien Holding GmbH, a German company that is 100%-owned by the Company and holds 10% of the share capital of Efes Russia. It was established to benefit from tax exemptions for marketing expenses under a tax treaty signed between Russia and Germany; and
- Efes Commerce d.o.o. was established in 2003 as a limited company under the laws of Serbia to coordinate marketing activities in contemplation of the Pancevo brewery acquisition. Efes Serbia has since taken over marketing activities in Serbia.

In addition, Efes Russia owns 85.0% of ZAO Efes Entertainment, which was established in November 2002 to set up and manage internet pubs. The Company also owns 58.9% of Efes Ukraine, which operated a brewery in Odessa. Efes Ukraine ceased commercial activities in May 2004 and is currently in the process of being sold.

SELECTED CONSOLIDATED FINANCIAL DATA

The following information (other than operational data) has been extracted from and should be read in conjunction with the Financial Statements and notes thereto, which have been prepared in accordance with IFRS. The Financial Statements are included elsewhere in the Offering Circular.

Efes Breweries International N.V. (Consolidated)

| | Year Ended 31 December | | | Six Months Ended 30 June | |
|---|------------------------|---------------|---------------|--------------------------|---------------|
| | 2001 | 2002 | 2003 | 2003 | 2004 |
| (US\$ thousands, except percentages, operational data and earnings per share) | | | | | |
| INCOME STATEMENT DATA | | | | | |
| Sales | 102,620 | 160,110 | 264,119 | 106,236 | 184,425 |
| Cost of sales | (57,841) | (84,290) | (136,322) | (53,955) | (95,363) |
| Gross profit | 44,779 | 75,820 | 127,797 | 52,281 | 89,062 |
| Gross margin (as % of net sales) | 43.6% | 47.4% | 48.4% | 49.2% | 48.3% |
| Operating expenses | 32,435 | 54,030 | 91,932 | 38,623 | 64,588 |
| Operating income | 12,344 | 21,790 | 35,865 | 13,658 | 24,474 |
| Operating margin (as % of net sales) | 12.0% | 13.6% | 13.6% | 12.9% | 13.3% |
| Other income/(expense) — net | 795 | (441) | 29,342 | 727 | (2,446) |
| Financial income/(expense) — net | (9,483) | (4,026) | (1,268) | 575 | (1,439) |
| Gain on net monetary position | 6,342 | 5,804 | — | — | — |
| Profit before tax | 9,998 | 23,127 | 63,939 | 14,960 | 20,589 |
| Income tax | 5,205 | (5,871) | (8,150) | (1,310) | (5,438) |
| Minority interest | (4,237) | (1,147) | (2,663) | (832) | (2,977) |
| Net profit | <u>10,966</u> | <u>16,109</u> | <u>53,126</u> | <u>12,818</u> | <u>12,174</u> |
| EBITDA ⁽¹⁾ | <u>22,582</u> | <u>35,956</u> | <u>63,781</u> | <u>24,244</u> | <u>41,699</u> |
| OPERATIONAL DATA | | | | | |
| Sales volume in millions of hectolitres: | | | | | |
| Efes Russia | 1.59 | 2.09 | 3.33 | 1.24 | 2.39 |
| Efes Moldova | — | — | 0.83 | 0.35 | 0.44 |
| Efes Kazakhstan | — | 0.44 | 0.50 | 0.23 | 0.30 |
| Interbrew Efes Romania ⁽²⁾ | 0.49 | 0.52 | 0.54 | 0.28 | 0.24 |
| Efes Ukraine ⁽³⁾ | 0.07 | 0.12 | 0.09 | 0.05 | — |
| Efes Serbia | — | — | 0.04 | — | 0.15 |
| Intercompany eliminations | — | — | (0.03) | (0.02) | (0.01) |
| Total | <u>2.15</u> | <u>3.17</u> | <u>5.30</u> | <u>2.13</u> | <u>3.51</u> |
| OTHER DATA | | | | | |
| Capital expenditure ⁽⁴⁾ | 21,677 | 65,465 | 88,368 | 39,609 | 33,097 |
| Cash flow from operating activities ⁽⁵⁾ | (596) | 23,039 | 44,203 | 21,718 | 36,285 |
| Earnings per share ⁽⁶⁾ | 13.4 | 14.3 | 43.7 | 10.6 | 10.0 |

(1) EBITDA here means earnings before interest (financial income/(expense) — net), tax, depreciation and amortisation, minus gain on net monetary position, minus minority interest, minus gain on sale of subsidiaries and investment in securities, minus recognition of currency translation due to dilution at subsidiaries, plus provision for bad debt, plus provision for inventories, minus income recognised from reversal of provision for bad debt, minus income recognised from reversal of provisions for inventories, plus impairment in property, plant and equipment. EBITDA is not a measurement of performance under IFRS and should not be considered as an alternative to (a) operating profit (loss) or net profit (loss) (as determined in accordance with IFRS), or as a measure of EBI's operating performance, (b) cash flows from operating, investing or financing activities (as determined in accordance with IFRS), or as a measure of EBI's ability to meet cash needs, or (c) any other measures of performance under IFRS. EBITDA may not be indicative of EBI's historical operating results, nor is it meant to be a projection or forecast of future results. Management believes that EBITDA is a measure commonly reported and widely used by investors in comparing performance without regard to

depreciation, which can vary significantly depending upon accounting methods, interest expense or taxation, or non-operating factors. Accordingly, EBITDA has been disclosed in this Offering Circular to permit a more complete and comprehensive analysis of EBI's operating performance relative to other companies operating in EBI's markets. Because companies do not calculate EBITDA identically, EBI's presentation of EBITDA may not be comparable to similarly titled measures used by other companies.

- (2) Represents 50.0% of the total figure for Interbrew Efes Romania, equal to EBI's direct and indirect ownership interest in the joint venture plus a de minimus ownership interest held by Anadolu Efes.
- (3) Efes Ukraine ceased commercial activities in May 2004 and is currently in the process of being sold.
- (4) 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).
- (5) Cash flow from operating activities means net cash provided by operating activities.
- (6) In U.S. dollars. Earnings per share have been calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period.

| | Year Ended 31 December | | | Six months Ended 30 June |
|---|------------------------|----------------|----------------|--------------------------------|
| | 2001 | 2002 | 2003 | 2004 |
| | (US\$ thousands) | | | |
| BALANCE SHEET DATA | | | | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | 24,392 | 38,974 | 32,677 | 31,282 |
| Trade and other receivables | 5,542 | 10,026 | 17,700 | 26,032 |
| Receivables due from related parties | 2,815 | 4,995 | 4,616 | 3,693 |
| Inventories | 15,130 | 17,410 | 37,798 | 43,084 |
| Prepayments and other current assets | 7,167 | 13,240 | 15,351 | 20,446 |
| Total current assets | <u>55,046</u> | <u>84,645</u> | <u>108,142</u> | <u>124,537</u> |
| Non-current assets: | | | | |
| Investments in securities | 3,064 | 3,064 | 1,754 | 1,756 |
| Property, plant and equipment | 130,535 | 190,039 | 267,639 | 286,643 |
| Intangible assets | 2,390 | 3,555 | 65,266 | 64,215 |
| Deferred tax assets | — | — | 3,361 | 3,795 |
| Prepayment and other non-current assets | 967 | 1,701 | 2,442 | 2,300 |
| Total non-current assets | <u>136,956</u> | <u>198,359</u> | <u>340,462</u> | <u>358,709</u> |
| Total assets | <u>192,002</u> | <u>283,004</u> | <u>448,604</u> | <u>483,246</u> |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Trade and other payables | 12,862 | 16,134 | 30,890 | 46,087 |
| Payables due to related parties | 5,420 | 7,393 | 13,751 | 16,124 |
| Short-term borrowings | 16,280 | 23,245 | 32,769 | 29,991 |
| Current portion of long-term borrowings | 11,531 | 10,950 | 12,960 | 16,415 |
| Income tax payable | 1,530 | — | 491 | 2,572 |
| Total current liabilities | <u>47,623</u> | <u>57,722</u> | <u>90,861</u> | <u>111,189</u> |
| Non-current liabilities: | | | | |
| Long-term borrowings-net of current portion | 30,420 | 36,718 | 71,534 | 62,105 |
| Deferred tax liability | 4,096 | 9,040 | 12,087 | 10,783 |
| Other non-current liabilities | 1,911 | 1,667 | 1,277 | 4,539 |
| Total non-current liabilities | <u>36,427</u> | <u>47,425</u> | <u>84,898</u> | <u>77,427</u> |
| Minority interest | <u>19,545</u> | <u>25,760</u> | <u>53,781</u> | <u>60,518</u> |
| Equity: | | | | |
| Issued capital | 95,936 | 121,641 | 124,630 | 124,630 |
| Share premium | — | 18,671 | 21,567 | 21,567 |
| Currency translation reserve | 2,661 | 8,581 | 16,537 | 19,411 |
| Legal reserves and accumulated profit/(deficit) | (10,190) | 3,204 | 56,330 | 68,504 |
| Total equity | <u>88,407</u> | <u>152,097</u> | <u>219,064</u> | <u>234,112</u> |
| Total liabilities and equity | <u>192,002</u> | <u>283,004</u> | <u>448,604</u> | <u>483,246</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Financial Statements, the information relating to EBI's business in the sections titled "Description of Business" and "Risk Factors", and other information about EBI included elsewhere in this Offering Circular. The Financial Statements have been prepared in accordance with IFRS. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. EBI's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those discussed in "Risk Factors".

Overview

EBI is a leading brewing group in the countries in which it operates across the CIS, Eastern Europe and the Balkans. Currently it operates in Kazakhstan, Moldova, Romania, Russia and Serbia, where it has eight breweries and markets and sells beer products through the Operating Companies. EBI's revenues are derived from sales of beer products in the Territories. The following table sets forth a breakdown of EBI's sales and sales volume by Operating Company for the periods indicated.

| | For the Year Ended 31 December | | | | | | For the Six Months Ended 30 June | |
|---------------------------------------|--------------------------------|-------|-------------|-------|-------------|-------|----------------------------------|-------------|
| | 2001 | | 2002 | | 2003 | | 2003 | 2004 |
| Sales ⁽¹⁾ | (US\$ '000) | % | (US\$ '000) | % | (US\$ '000) | % | (US\$ '000) | (US\$ '000) |
| Efes Russia ⁽²⁾ | 87,471 | 85.2 | 126,103 | 78.8 | 202,788 | 76.8 | 78,846 | 142,785 |
| Efes Moldova ⁽³⁾ | — | — | — | — | 21,972 | 8.3 | 8,931 | 14,331 |
| Efes Kazakhstan ⁽⁴⁾ | — | — | 17,348 | 10.8 | 20,669 | 7.8 | 9,206 | 14,269 |
| Interbrew Efes Romania ⁽⁵⁾ | 12,907 | 12.6 | 13,758 | 8.6 | 16,357 | 6.2 | 8,586 | 7,702 |
| Efes Ukraine ⁽⁶⁾ | 2,233 | 2.2 | 3,334 | 2.1 | 2,840 | 1.1 | 1,512 | 371 |
| Efes Serbia ⁽⁷⁾ | — | — | — | — | 1,548 | 0.6 | — | 5,559 |
| Eliminations ⁽⁸⁾ | 9 | 0.0 | (433) | (0.3) | (2,055) | (0.8) | (845) | (592) |
| Total ⁽⁸⁾ | 102,620 | 100.0 | 160,110 | 100.0 | 264,119 | 100.0 | 106,236 | 184,425 |
| Sales Volume | (mhl) | | (mhl) | | (mhl) | | | |
| Efes Russia ⁽²⁾ | 1.59 | 74.0 | 2.09 | 65.7 | 3.33 | 62.8 | 1.24 | 2.39 |
| Efes Moldova ⁽³⁾ | — | — | — | — | 0.83 | 15.7 | 0.35 | 0.44 |
| Efes Kazakhstan ⁽⁴⁾ | — | — | 0.44 | 14.1 | 0.50 | 9.4 | 0.23 | 0.30 |
| Interbrew Efes Romania ⁽⁵⁾ | 0.49 | 22.7 | 0.52 | 16.4 | 0.54 | 10.2 | 0.28 | 0.24 |
| Efes Ukraine ⁽⁶⁾ | 0.07 | 3.3 | 0.12 | 3.8 | 0.09 | 1.7 | 0.05 | — |
| Efes Serbia ⁽⁷⁾ | — | — | — | — | 0.04 | 0.8 | — | 0.15 |
| Eliminations ⁽⁸⁾ | — | — | — | — | (0.03) | (0.6) | (0.02) | (0.01) |
| Total | 2.15 | 100.0 | 3.17 | 100.0 | 5.30 | 100.0 | 2.13 | 3.51 |

(1) Net of discounts and value added and sales taxes.

(2) Efes Russia acquired a brewery at Ufa in August 2003. Financial and operating data for that year reflect production from acquisition to year-end and such data has not been annualised.

(3) Efes Moldova was acquired by EBI in January 2003.

(4) Efes Kazakhstan was acquired by EBI in January 2002.

(5) Represents 50% of the total figure for Interbrew Efes Romania equal to EBI's interest in the joint venture.

(6) Efes Ukraine ceased commercial activities in May 2004 and is currently in the process of being sold.

(7) Efes Serbia was acquired by EBI in August 2003. Financial and operating data for that year reflect production from acquisition to year-end and such data has not been annualised.

(8) Reflects eliminations from transactions between the Operating Companies.

Trends and Recent Developments

The year 2004 will be the first year reflecting a full year of production at four of the brewing facilities that EBI added during 2003 to its production platform, which now consists of eight breweries. As a result, Management anticipates that sales volume and sales in general will increase in 2004 relative to 2003, all other things being equal.

In addition, while significant management efforts during 2003 were dedicated to acquisitions and the integration process, Management's focus in 2004 will continue to be on brand building and on optimisation of production. As a result, Management expects that significant investments will be made in advertising and marketing during 2004, which will contribute to increased sales and marketing expenses relative to prior years. However, Management also anticipates overall volume production to increase while costs per hectolitre will generally decrease, all other things being equal, as a result of greater efficiencies in production.

Management expects that the consolidation process will continue in the Territories, and in Russia in particular, and that the already significant competition from other international brewing groups will continue to necessitate rapid expansion. Therefore, EBI will continue to explore opportunities for expansion through greenfield development or acquisitions, particularly east of the Urals in Russia. Any significant acquisition could result in significant Management time and efforts being devoted to the transaction and the integration process thereafter. The markets in Russia for beer products in can and PET packaging have grown in the last three years at the expense, on a percentage basis, of the market for bottled-packaged beer products. In particular, to benefit from the growth of the market for PET packaged beer, which Management expects to continue to grow, EBI introduced its mid-priced *Beliy Medved* brand (meaning "White Bear") in 2003. In that year, 62.4% of total sales volume for that brand was packaged as PET products. In 2004 and for the foreseeable future, EBI will place emphasis on the re-launching (in terms of presentation and packaging) of its existing brands and its newly acquired brand in Serbia and any brands that may be acquired, with the consequent impact of increased expenditures on sales and marketing. Management believes that this strategy and its implementation will ultimately contribute to continuing growth in sales volumes and therefore sales for the foreseeable future.

Management also believes that, as a result of commencement of production at the newly built Almaty plant in the second half of 2003, Efes Kazakhstan should achieve lower delivery costs in 2004 and going forward relative to 2003, all other things being equal, while sales volume and sales should increase.

In July 2004, the Company and the minority shareholders of Efes Ukraine entered into negotiations with prospective buyers in connection with the sale of 100.0% of the shares of Efes Ukraine. If the net cash consideration in respect of such sale is not received by 30 November 2004 (the "Minority Opt-Out Date"), then the Company is required to 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 US\$1.7 million. In any event, EBI will continue the process of divestment of its entire interest in Efes Ukraine, whether before or after the Minority Opt-Out Date.

In September 2004, the Company acquired 64.4% of the share capital of a brewery in Zaječar, Serbia through a public bidding process for approximately €12.6 million. The Zaječar brewery has a total capacity of 1.0 million hectolitres per year and had sales volume of 0.4 million hectolitres in 2003.

Factors Affecting Results of Operations of EBI

EBI's sales are generated from sales of beer products in the Territories and to a lesser extent from sales of soft drinks and bottled water in Moldova. EBI records as "sales" revenues net of discounts and value added and sales taxes, in compliance with IFRS. For the year ended 31 December 2003, sales of beer products constituted 97.4% of EBI's overall sales and sales of other beverage products constituted only 2.6%. Sales are driven by sales volume and price. Sales volume is affected by consumption patterns (which are in turn affected by factors such as changes in weather conditions) and consumer demand, and prices are primarily affected by GDP per capita levels, the mix of distribution channels, product mix and the effects of competition, including price wars and supply.

Costs of sales include materials used, depreciation, labour and other production expenses, including packaging. For the year ended 31 December 2003, materials used, depreciation, labour and other production expenses constituted 75.1%, 11.4%, 5.1% and 8.4% of total costs of sales, respectively. Costs of sales are affected by fluctuations in raw material costs, principally the price of malt and barley, and costs of packaging materials such as bottles, cans and PET containers and labels. Costs of sales are also affected by the level of investments in production capacities through depreciation charges to property, plant and equipment attributable to production.

The principal operating expenses of EBI are selling and marketing expenses and general and administrative expenses. For the year ended 31 December 2003, selling and marketing expenses constituted 64.2% and general and administrative expenses constituted 35.8% of total operating expenses. Selling and marketing expenses include marketing and advertising expenses, personnel expenses relating to sales and marketing, distribution expenses, depreciation of property, plant and equipment attributable to sales and marketing and other expenses. General and administrative expenses consist primarily of personnel expenses, management fees and technical assistance, taxes and duties and other expenses. Operating expenses are principally affected by advertising and marketing budgets in response to the competitive environment in the Territories, the structure of distribution channels and the growth of operations, not only through the acquisition of brewing assets but also through investments in capacity expansion.

Net financial income (expense) consists of interest expense on borrowings, interest expense on finance leases, foreign currency exchange gains (losses) and other financial income (expense).

Impact of Acquisitions on EBI's Results of Operations

Results for the periods presented below are not directly comparable and consideration must be given to the impact of additional capacity from breweries acquired during the periods presented; financial and operating data in respect of those acquisitions has not been annualised. The impact of the following acquisitions should be considered:

- In January 2002, 100.0% of the outstanding capital of Efes Kazakhstan was acquired by EBI and the results of Efes Kazakhstan for the twelve months ended 31 December 2002 (January-December 2002) were consolidated into EBI's financial statements.
- In January 2003, approximately 96.5% of the outstanding capital of Efes Moldova was acquired by EBI and the results of Efes Moldova for the twelve months ended 31 December 2003 (January-December 2003) were consolidated into EBI's financial statements.
- In August 2003, 100% of the outstanding capital of the company owning the Ufa brewery, Amstar, was acquired by Efes Russia and the results of Amstar for the six months ended 31 December 2003 (July-December 2003) were consolidated into EBI's financial statements.
- In August 2003, 62.8% of the outstanding capital of Efes Serbia was acquired by EBI through a share capital increase and the results of Efes Serbia for the four months ended 31 December 2003 (September-December 2003) were consolidated into EBI's financial statements.

Effects of Hyperinflationary Accounting

Prior to 2003, some of the Operating Companies were deemed to operate in highly inflationary economies based on the criteria set out in IAS 29 — Financial Reporting in Hyperinflationary Economies ("IAS 29"). IAS 29 requires the restatement of financial statements in terms of current monetary units if highly inflationary conditions exist in an economy. As of 1 January 2003, Russia's economy ceased to be regarded as a hyperinflationary economy under IAS 29. Therefore, since such date, the Company and Efes Russia have ceased making the restatements set out in IAS 29 with respect to EBI's Russian operations. As a result, there is no monetary gain or loss for the year ended 31 December 2003 in the Consolidated Financial Statements.

Six Months Ended 30 June 2004 Compared to Six Months Ended 30 June 2003

Sales. Sales were US\$184.4 million for the six months ended 30 June 2004 compared to US\$106.2 million for the six months ended 30 June 2003. The US\$78.2 million, or 73.6%, increase in sales was primarily a result of a 64.8% growth in sales volume and an increase in the average price per litre sold. Sales volume increased to 3.51 million hectolitres for the six months ended 30 June 2004 from 2.13 million hectolitres for the six months ended 30 June 2003, due to organic sales volume growth as well as the contribution of the two acquisitions which took place in the second half of 2003. In addition, EBI's price per litre sold rose to 52 U.S. cents/litre for the six months ended 30 June 2004 from 50 U.S. cents/litre for the six months ended 30 June 2003 relating primarily to increased prices (mainly in Russia and Moldova) and the strengthening of most currencies in the Territories against the U.S. dollar.

Cost of sales. Cost of sales were US\$95.4 million for the six months ended 30 June 2004 compared to US\$54.0 million for the six months ended 30 June 2003. As a percentage of sales, cost of sales slightly increased to 51.7% for the six months ended 30 June 2004 compared to 50.8% for the six months ended 30 June 2003 mainly as a result of an increase in depreciation expenses attributable to cost of sales at Efes Kazakhstan due to the investments in the Almaty brewery, where commercial production began in August 2003, an increase in fixed production expenses as a percentage of net sales at Efes Romania due to a decrease in sales volume, and the impact of the inclusion of Efes Serbia in the consolidated financial statements of EBI due to Efes Serbia having a higher-than-average cost of sales as a percentage of net sales.

Operating expenses. Operating expenses were US\$64.6 million for the six months ended 30 June 2004 compared to US\$38.6 million for the six months ended 30 June 2003. Selling and marketing expenses increased by US\$18.1 million in the six months ended 30 June 2004 relative to the same period in 2003, which is primarily a result of increased marketing and advertising expenses and distribution expenses to support sales growth in the six months ended 30 June 2004 relative to the same period in 2003. General and administrative expenses increased by US\$7.9 million in the six months ended 30 June 2004 relative to the same period in 2003, primarily as a result of increased depreciation and amortisation expenses attributable to general and administrative expenses and increased personnel expenses relating to the additional labour force at two newly acquired and two newly built breweries.

Net financial income or expense. Net financial expense was US\$1.4 million for the six months ended 30 June 2004 compared to net financial income of US\$0.6 million for the six months ended 30 June 2003. The US\$2.0 million increase in net financial expense was primarily a result of increased interest expenses amounting to US\$0.8 million as a result of greater overall indebtedness as well as decreased foreign currency exchange gains amounting to US\$1.2 million in the six months ended 30 June 2004 relative to the same period in 2003.

Net other income or expense. Net other expense was US\$2.4 million for the six months ended 30 June 2004 compared to net other income of US\$0.7 million for the six months ended 30 June 2003. The US\$3.1 million decrease in net other income for the six months ended 30 June 2004 relative to the same period in 2003 was primarily attributable to the recognition of an impairment loss amounting to US\$3.0 million on the property, plant and equipment at Efes Ukraine. An impairment of property, plant and equipment of US\$2.8 million has been recognised for the six months ended 30 June 2004, representing the estimated loss on sale of participation in Efes Ukraine, which has been the subject of negotiations with prospective buyers since July 2004.

Income tax expense. Income tax expense was US\$5.4 million for the six months ended 30 June 2004 compared to US\$1.3 million for the six months ended 30 June 2003. The US\$4.1 million increase in income tax expense for the six months ended 30 June 2004 relative to the same period in 2003 was primarily a result of recognition of deferred tax income for the six month period ended 30 June 2003 related to corporate income tax losses that can be carried forward by the Company.

Minority interests. Minority interests were US\$3.0 million for the six months ended 30 June 2004 compared to US\$0.8 million for the six months ended 30 June 2003. The US\$2.2 million increase in minority

interests in the six months ended 30 June 2004 relative to the same period in 2003 was primarily a result of increased income in the six months ended 30 June 2004 relative to the same period in 2003.

Net profit. As a result of the foregoing factors, net income after minority interest was US\$12.2 million for the six months ended 30 June 2004 compared to US\$12.8 million for the six months ended 30 June 2003.

Year Ended 31 December 2003 Compared to Year Ended 31 December 2002

Sales. Sales were US\$264.1 million for 2003 compared to US\$160.1 million for 2002. The US\$104.0 million, or 65.0%, increase in sales for 2003 relative to 2002 was a result of growing sales volume, including sales volume contributed through three acquisitions and through two new greenfield breweries commencing production during 2003. The acquisition of the brewery at Ufa, which brought with it the addition of the *Beliy Medved* and *Sokol* brands, resulted in additional capacity to meet increasing demand and enriched the product mix of Efes Russia, which Management believes was a significant factor in increased sales volume. The contributions of Efes Moldova and Efes Serbia, two of EBI's new subsidiaries acquired in 2003, to EBI's consolidated sales were US\$22.0 million and US\$1.5 million, respectively. Moreover, a change in the billing policy of Efes Russia in connection with delivery charges contributed slightly to the increase in sales in 2003 relative to 2002. Prior to 2003, delivery costs of Efes Russia were incurred by customers and recognised as sales discounts whereas beginning in 2003 delivery costs were incurred by Efes Russia (and billed to customers) and included under the caption "transportation" costs.

Cost of sales. Cost of sales were US\$136.3 million for 2003 compared to US\$84.3 million for 2002. The US\$52.0 million, or 61.7%, increase in cost of sales for 2003 relative to 2002 was mainly a result of a 67.1% growth in sales volume. As a percentage of sales, cost of sales decreased to 51.6% for 2003 from 52.6% for 2002 mainly as a result of decreased cost of sales as a percentage of sales in Efes Russia in 2003 relative to 2002, offset by the impact on cost of goods sold as a result of increased sales volume of the *Warsteiner* and *Efes Pilsener* brands, which have a higher than average cost primarily due to the packaging materials used.

Operating expenses. Operating expenses were US\$91.9 million for 2003 compared to US\$54.0 million for 2002. The US\$37.9 million, or 70.2%, increase in operating expenses for 2003 relative to 2002 was primarily a result of increased selling and marketing expenses. Selling and marketing expenses increased by US\$26.7 million in 2003 relative to the previous year, which is primarily attributable to increased marketing and advertising expenses, a change in customer billing in connection with delivery charges in Efes Russia and an overall increase in sales volume. Marketing and advertising expenses increased by US\$11.7 million in 2003 relative to the previous year, mainly as a result of generally increasing advertising and marketing expenditures and additional expenditures relating to the re-launch of new brands acquired in Russia, Moldova and Serbia. Prior to 2003, delivery costs of Efes Russia were incurred by customers and recognised as sales discounts whereas beginning in 2003 delivery costs were incurred by Efes Russia (and billed to customers) and included under the caption "transportation" costs. Compared to 2002, general and administrative expenses increased by US\$11.2 million and reached US\$32.9 million in 2003, primarily as a result of increased personnel expenses relating to the hiring of employees for the completed greenfield investments and the additional labour force in respect of the breweries acquired in 2003.

Net financial expense. Net financial expense was US\$1.3 million for 2003 compared to US\$4.0 million in 2002. The US\$2.7 million, or 67.5% decrease in net financial expense was primarily a result of foreign exchange gains in 2003 amounting to US\$4.9 million compared to US\$0.1 million in 2002, offset by increased interest expense (net) and other financial expenses, which rose to US\$6.2 million in 2003 from US\$4.1 million in 2002 as a result of greater overall indebtedness. The increase in foreign exchange gains is mostly attributable to the depreciation of the U.S. dollar against most local currencies where EBI operates, including the Ruble.

Net other income or expense. Net other income was US\$29.3 million for 2003 compared to net other expense of US\$0.4 million for 2002. The US\$29.7 million increase in net other income for 2003 relative to 2002 was primarily the result of Efes Russia's acquisition of Amstar, the company that owns the Ufa brewery, through a combination of cash and shares in Efes Russia. The excess of fair value over par value of

the shares of Efes Russia used as part consideration have been recognised as a non-recurring gain under “gain on sales of participation” amounting to US\$24.9 million, and a “currency translation gain” of US\$1.5 million computed with respect to EBI’s shareholding in Efes Russia.

Income tax expense. Income tax expense was US\$8.2 million for 2003 compared to US\$5.9 million for 2002. The US\$2.3 million, or 40.0%, increase in income tax expense for 2003 relative to 2002 was primarily a result of an increase in current tax expense of US\$8.2 million, offset by a decrease in deferred tax expense of US\$5.9 million for 2003 relative to 2002. The increase in current tax expense was the result of an increase in taxable income and an income tax provision for the first time in Interbrew Efes Romania’s income statement for 2003 of US\$1.0 million, after its having used up income tax loss carry-overs of previous years. The decrease in deferred tax expense was the result primarily of recognition of income tax losses by the Company in 2003.

Minority interests. Minority interests were US\$2.7 million for 2003 compared to US\$1.1 million for 2002. The US\$1.6 million, or 145.5%, increase in minority interests in 2003 relative to 2002 was principally a result of increased income in 2003 relative to 2002.

Net profit. As a result of the foregoing factors, net income after minority interest was US\$53.1 million for 2003 compared to US\$16.1 million for 2002.

Year Ended 31 December 2002 Compared to Year Ended 31 December 2001

Sales. Sales were US\$160.1 million for 2002 compared to US\$102.6 million for 2001. The US\$57.5 million, or 56.0%, increase in sales for 2002 relative to 2001 was primarily a result of a 47.4% growth in sales volume and an increase in the average price per litre sold. Sales volume increased to 3.17 million hectolitres in 2002 from 2.15 million hectolitres in 2001, due to organic sales volume growth as well as the impact of the commencement of operations by Efes Kazakhstan in 2002 with the acquisition of the Karaganda brewery, which contributed US\$17.3 million to EBI’s sales and 0.44 million hectolitres to EBI’s sales volume in 2002. In addition, EBI’s price per litre sold rose to 50 U.S. cents/litre in 2002 from 48 U.S. cents/litre in 2001 due mostly to the increased share of sales volume taken by *Efes Pilsener* and canned products, which have a higher-than-average price per litre sold.

Cost of sales. Cost of sales were US\$84.3 million for 2002 compared to US\$57.8 million for 2001. The US\$26.5 million, or 45.8%, increase in cost of sales for 2002 relative to 2001 was mainly a result of a 52.1% increase in materials used and a 19.3% increase in depreciation on property, plant and equipment. The increase in materials used is primarily a result of higher sales volume. This increase would have been higher due to the effect of the growing share of *Efes Pilsener* and canned products of sales volume in 2002 relative to 2001, but for the offsetting impact on consolidated cost of sales of lower than average costs of sales of Efes Kazakhstan and economies of scale achieved through increases in overall capacity utilisation. As a result cost per litre remained constant at around 27 cents/litre. As a percentage of sales, cost of sales decreased to 52.6% in 2002 from 56.4% in 2001 due to the higher percentage growth in net sales relative to cost of sales due to the factors discussed above.

Operating expenses. Operating expenses were US\$54.0 million for 2002 compared to US\$32.4 million for 2001. The US\$21.6 million, or 66.6%, increase in operating expenses for 2002 relative to 2001 was mainly a result of an increase in selling and marketing expenses and general and administrative expenses, principally personnel expenses. Selling and marketing expenses increased to US\$32.4 in 2002 from US\$14.8 million in 2001, primarily due to increased advertising and marketing to support growing sales volume and sales, and the effect of the inclusion of Efes Kazakhstan’s advertising and marketing expenses for 2002. Of the remaining increase in operating expenses, general and administrative expenses increased to US\$21.6 million in 2002 from US\$17.7 million in 2001, primarily as a result of increased personnel expenses relating to the additional labour force of Efes Kazakhstan, offset by a decrease in rent and transportation expense due to the conversion of an operating lease in connection with the Rostov facility into a financial lease beginning on 1 January 2002.

Net other income or expense. Net other expense was US\$0.4 million for 2002 compared to net other income of US\$0.8 million for 2001. The US\$1.2 million decrease in net other income for 2002 relative to 2001 was mainly a result of a non-recurring gain in 2001 (gain on sale of participations) of US\$2.2 million relating to the disposition of shares in Efes Russia to the EBRD and EL&EL in connection with a debt financing and the restructuring of Efes Ukraine, offset by greater expenses in 2001 relative to 2002 due to the reclassification of ERIC beginning 1 January 2002 from a going concern to a company in liquidation.

Net financial expense. Net financial expense was US\$4.0 million for 2002 compared to US\$9.5 million for 2001. The US\$5.5 million decrease in net financial expense in 2002 relative to 2001 was mainly due to a foreign currency exchange gain in 2002 of US\$0.1 million compared to the US\$5.2 million loss in foreign currency exchange in 2001. Other financial expenses remained stable, and while overall indebtedness (excluding obligations under finance leases) increased by approximately 13.6%, interest expense on borrowings remained stable as a result of lower interest rates in 2002 relative to 2001. The increase in foreign exchange gains is mostly attributable to the depreciation of the U.S. dollar against the Euro, offset by the devaluation of the local currencies in the Territories against the U.S. dollar.

Income tax expense. Income tax expense was US\$5.9 million for 2002 compared to an income tax gain of US\$5.2 million for 2001. The gain in 2001 consists of a current income tax expense of US\$2.4 million and a deferred income tax gain amounting to US\$7.6 million due to the decrease in deferred tax liability. The decrease in deferred tax liability was attributable to (i) the reduction in the corporate tax rate by the Russian government from 35.0% to 24.0% and (ii) the revaluation of fixed assets such as property, plant and equipment beginning from 1 January 2001 pursuant to Russian and Romanian Accounting Standards.

Minority interests. Minority interests were US\$1.1 million for 2002 compared to US\$4.2 million for 2001. The US\$3.1 million decrease in minority interests in 2002 relative to 2001 was principally the result of increased losses in Efes Ukraine, which due to its significant minority shareholding accounts for a substantial part of consolidated minority interests.

Net profit. As a result of the foregoing factors, net profit after minority interest was US\$16.1 million for 2002 compared to US\$11.0 million for 2001.

Cash Flow, Liquidity and Capital Resources

Since formation, EBI's principal sources of funds have been long-term borrowings, equity contributions from shareholders and cash flows from operating activities. EBI's principal uses of funds have been to fund acquisitions, for capital expenditure to expand and improve breweries and other facilities, to fund working capital, to pay interest and repay indebtedness. EBI expects to fund further acquisitions and capital expenditures with cash generated from operating activities, a portion of the proceeds of the Offering and borrowings under available credit facilities. As of the date hereof, Management has not made any firm commitments for any significant future investments (including new breweries or the expansion of existing ones, facilities or research and development).

Cash Flows

Six Months Ended 30 June 2004

Net consolidated cash provided by operating activities was US\$36.3 million. Cash generated by operating activities of US\$43.5 million was offset by cash used to fund working capital requirements equal to US\$7.2 million, including cash used in income tax payments of US\$5.3 million and cash used in interest payments of US\$3.3 million, offset by a change in assets and liability balances of US\$1.4 million.

Net consolidated cash used in investing activities was US\$27.6 million. Cash used in investing activities mainly consisted of US\$32.8 million used for the purchase of property, plant and equipment, principally in connection with the expansion of the production capacity in Moscow (Russia), and for improvements and upgrading of the brewing facilities in other Operating Companies, offset by US\$4.8 million of cash provided by funds received from a minority shareholder in respect of a capital increase by Efes Ukraine and US\$0.4 million of cash provided by other investing activities.

Net consolidated cash used in financing activities was US\$8.5 million. Cash used in financing activities mainly consisted of US\$8.7 million used in debt repayments, offset by cash provided by financing activities of US\$0.2 million.

Year Ended 31 December 2003

Net consolidated cash provided by operating activities was US\$44.2 million. Cash generated by operating activities of US\$69.4 was offset by cash used to fund working capital requirements, equal to US\$11.0 million, including cash used to develop the Almaty and Rostov facilities, cash used in income tax payments of US\$9.0 million and net cash used in interest payments of US\$5.2 million.

Net consolidated cash used in investing activities was US\$83.1 million. Cash used in investing activities mainly consisted of US\$43.1 million used for the purchase of property plant and equipment principally in connection with the building of the brewing facilities in Almaty (Kazakhstan) and Rostov (Russia), and on improvements and upgrading of the brewing facilities, and US\$45.3 million used in the acquisition of the breweries in Ufa (Russia), Chisinau (Moldova) and Belgrade (Serbia), offset by US\$5.3 million of cash provided by funds received from a minority shareholder in respect of a capital increase by Efes Ukraine and the sale of property, plant and equipment and the sale by the Company of investments in securities.

Net consolidated cash provided by financing activities was US\$36.2 million. Cash provided by financing activities principally included borrowings under the Ufa Loan Agreement (as hereafter defined) and the BSTDB Loan Agreement (as defined below) equal to US\$48.8 million and proceeds of US\$5.9 million from funds received in respect of a capital increase by the Company, while cash used by financing activities included US\$18.5 in debt repayments. See “— Borrowing Facilities — Loan Agreements with the EBRD”; and “— Borrowing Facilities — Loan Agreements with BSTDB.”

Year Ended 31 December 2002

Net consolidated cash provided by operating activities was US\$23.0 million. Cash generated by operating activities of US\$38.4 million was offset by US\$7.8 million in cash used for working capital requirements of the growing business, US\$4.3 million cash used for interest payments and US\$3.3 million used for income tax payments.

Net consolidated cash used in investing activities was US\$62.0 million. Cash used in investing activities consisted of US\$54.3 million principally used in the purchase of property, plant and equipment for construction of the greenfield breweries in Almaty (Kazakhstan) and Rostov (Russia), in connection with the capacity expansion in Moscow (Russia) and on improvements and the upgrading of brewing facilities and US\$11.2 million used in the acquisition of the Karaganda (Kazakhstan) brewery, offset by US\$3.5 million of cash provided mainly by funds received from minority shareholders in respect of a capital increase by Efes Russia.

Net consolidated cash provided by financing activities was US\$53.4 million. Cash provided by financing activities included US\$44.0 million from funds received in respect of a capital increase by the Company and US\$25.9 million of amounts principally drawn under the EBRD Almaty Loan Agreement (as defined below) and the EBRD Expansion Loan Agreement (as defined below), while cash used in financing activities include US\$16.5 million used to repay indebtedness, including US\$10.0 million to make repayments under the EBRD Initial Loan Agreement and US\$5.2 million used in repayments under an agreement between Interbrew Efes Romania and the International Finance Corporation, which has now been fully repaid. See “Borrowing Facilities — Loan Agreements with the EBRD”.

Year Ended 31 December 2001

Net consolidated cash used in operating activities was US\$0.6 million. Cash provided by operating activities of US\$18.3 was offset by cash used to fund the working capital requirements of the growing business equal to US\$10.8 million, cash used in income tax payments of US\$4.0 million and cash used in interest payments of US\$4.1 million.

Net consolidated cash used in investing activities was US\$7.9 million. Cash used in investing activities mainly consisted of US\$21.7 million used for the purchase of property, plant and equipment principally in connection with the elimination of bottlenecks in production in Moscow (Russia), and on upgrading of the brewing facilities of Efes Ukraine, offset by US\$12.8 million of cash provided by the disposition of shares in Efes Russia to the EBRD in connection with a debt financing and also to EL&EL and the restructuring of Efes Ukraine and US\$1.0 million of cash provided by the sale of purchase of property, plant and equipment.

Net consolidated cash provided by financing activities was US\$16.1 million. Cash provided by financing activities included US\$14.0 million of proceeds from the sale of shares of the Company to Anadolu Efes and US\$14.1 million of proceeds mainly from the EBRD Expansion Loan Agreement, while cash used in financing activities included US\$11.9 million used to repay indebtedness, including US\$9.1 million to make repayments under the EBRD Initial Loan Agreement (as defined below) and US\$2.0 million used in repayments under an agreement between Interbrew Efes Romania and the International Finance Corporation, which has now been fully repaid. See “Borrowing Facilities — Loan Agreements with the EBRD”.

Borrowing Facilities

The following table sets forth commitments by the Company and any of the Operating Companies for future expenditures related to long-term debt, as at 30 June 2004.

| | Payments Due Within | | | Total |
|--------------------------|-----------------------|-----------|----------|--------|
| | 1 year | 2-3 years | 3+ years | |
| | <i>(in US\$ '000)</i> | | | |
| Long-term debt | 16,415 | 39,010 | 23,095 | 78,520 |

Loan Agreements with the EBRD

On 30 June 1997, Efes Russia entered into a loan agreement with the EBRD (the “EBRD Initial Loan Agreement”) for financing the construction of the greenfield brewery plant in Moscow totalling US\$34.0 million, which was fully repaid in February 2004. On 21 March 2001, the Company sold 10% of the share capital of Efes Russia to the EBRD in accordance with an option granted to the EBRD pursuant to this agreement and was paid cash consideration of US\$4.5 million. See “Description of Business — Operations — Operations in Russia — Overview”.

On 14 June 2001, Efes Russia entered into a supplemental loan agreement with the EBRD (the “EBRD Expansion Loan Agreement”) under which Efes Russia obtained a second loan in respect of the Moscow brewing facility to eliminate bottlenecks in production and invest in working capital in the amount of US\$17.0 million. Two tranches of US\$11.0 million and US\$6.0 million were provided in November 2001 and March 2002, respectively. The principal amount of the second loan is repayable in eight equal instalments of US\$2.1 million over a period of four years between 2004 and 2008. Interest is payable quarterly between 2002 and 2008 at LIBOR plus a margin of 3.65% per annum, or, in the event of a payment cross-default or an event of default occurring, 3.9%. The loan is secured by a first priority pledge by the Company over the shares it owns in Efes Russia, and the various other companies in Efes Beverage Group have entered into a second subordination agreement in favour of the EBRD in support of the loan.

On 24 July 2003, Efes Russia entered into a loan agreement with the EBRD for a loan jointly arranged by it and ABN Amro Bank N.V. totalling US\$25.0 million (the “Ufa Loan Agreement”). The loan was utilised by Efes Russia in October 2003, partly to finance the cash acquisition of the brewery in Ufa and partly to finance working capital requirements. Repayment of the loan is to be made in eight equal semi-annual instalments commencing in May 2005, and interest is payable at LIBOR plus 3.55% per annum. The Ufa Loan Agreement is secured by (i) Efes Russia’s bank accounts; (ii) Efes Russia’s immovable and movable properties; (iii) the assignment of the rights regarding insurance coverage in respect of Efes Russia’s property; and (iv) a pledge of some of the shares in Efes Russia owned by the Company.

On 5 December 2001 Efes Kazakhstan entered into a loan agreement with the EBRD for financing the construction of the 0.6 million hectolitre greenfield brewery plant in Almaty (the “EBRD Almaty Loan

Agreement"). In April 2002, Efes Kazakhstan drew US\$9.5 million under this agreement. Repayment of the loan is to be made in twelve equal semi-annual instalments commencing in June 2004. Interest is payable quarterly at LIBOR plus a margin of 3.125% per annum. The loan from the EBRD to Efes Kazakhstan is secured by (i) Efes Kazakhstan's immovable and movable properties; (ii) the assignment of the rights regarding insurance coverage in respect of Efes Kazakhstan's property; and (iii) a pledge of the shares in Efes Kazakhstan owned by the Company.

Loan Agreement with BSTDB

Under the terms of a loan agreement dated 20 August 2003, the Company obtained a loan in the amount of US\$20.0 million from the BSTDB as financing for the funding of capital expenditures for ongoing investments and for the funding of the working capital requirements of its subsidiaries. Repayment of the BSTDB Loan by the Company is to be made in eight semi-annual instalments commencing in March 2005 and interest is payable at LIBOR plus 2.95% per annum. The loan is secured by a guarantee from Anadolu Efes.

Critical Accounting Policies

The Financial Statements have been prepared in accordance with IFRS, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") and Standing Interpretations Committee ("SIC") interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect. The Company has identified the accounting policies discussed below as critical to the business operations and to the understanding of the results of operations. With this, it is meant that the following accounting policies are both important to the portrayal of the reported performance and financial position and require management's most subjective or complex judgements, often as a result of the need to estimate the effects of matters that are inherently uncertain. The impact and risks associated with these critical accounting policies on the business operations are discussed throughout this discussion and analysis where such policies affect the reported and expected financial results. For a detailed discussion of the application of these and other significant accounting policies, see Note 2 of the Consolidated Financial Statements included elsewhere in this Offering Circular.

It should be noted that the preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of sales and expenses during each reporting period. Management cannot offer any assurance that the actual results will be consistent with these estimates and assumptions.

Goodwill

Acquisition of a subsidiary is accounted for using the purchase method. The fair values of the identifiable assets and liabilities acquired in an acquisition are determined by reference to their intended use by the Company. 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. For the years ended 31 December 2001, 2002 and 2003, no impairment losses were recognised.

Measurement Currency, Reporting Currency and Translation Methodology

The Company is domiciled in the Netherlands. As a group, EBI 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, to reflect the economic substance of

underlying events and circumstances relevant to the Company, the U.S. dollar was determined to be the Company's measurement currency.

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange in effect at the balance sheet date. The income statements of foreign subsidiaries are translated at the exchange rates in effect 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 in effect at the date of the transaction. The majority of the foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organisationally autonomous.

Hyperinflation

IAS 29, "Financial reporting in hyperinflationary economies", requires that the financial statements of enterprises that report in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. IAS 29 indicates that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such rate that comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading. Certain of the Company's subsidiaries operated in economies considered to be hyperinflationary pursuant to IAS 29 up to the end of 2002. In 2003, the economies of these countries were regarded as non-hyperinflationary and Management has ceased to apply hyperinflationary accounting in Russia and Romania since January 1, 2003. Accounting for hyperinflationary economies involves a restatement of the financial statements of the subsidiaries subject to IAS 29 as per the following principles:

- Non-monetary items not already expressed in terms of the measuring currency at the balance sheet date were restated by applying a general price index;
- Monetary items were not restated;

All items in the income statement were restated for the change in the general price index from the transaction date to the balance sheet date; and

The gain or loss on the monetary position was included in net income.

Property, Plant and Equipment

These assets are stated at cost less accumulated depreciation and accumulated impairment loss. Land is not depreciated. The following table sets forth useful life estimates used for certain asset classes that are depreciated on the straight-line basis method.

| <u>Asset Class</u> | <u>Useful Life</u> (years) |
|-------------------------------|-------------------------------|
| Buildings | 10-40 |
| Infrastructure | 5-40 |
| Machinery and equipment | 5-15 |
| Vehicles | 5-10 |
| Furniture and Fixtures | 3-15 |
| Other tangible assets | 2-14 |

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 largely 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. For the years ended 31 December 2001 and 2002, impairment losses of US\$61,000 and US\$272,000 were recognised, respectively. For the year ended 31 December 2003, no impairment losses were recognised.

The following table sets forth EBI's depreciation on a consolidated basis for certain classes of assets for the years specified

| | For the Year Ended 31 December | | |
|---|--------------------------------|---------------|---------------|
| | 2001 | 2002 | 2003 |
| | (US\$ thousands) | | |
| Buildings | 1,945 | 2,963 | 3,699 |
| Machinery and equipment | 7,668 | 9,729 | 15,462 |
| Other property, plant and equipment | 942 | 1,395 | 2,476 |
| Total | <u>10,555</u> | <u>14,087</u> | <u>21,637</u> |

Revenue

Revenue is recognised to the extent that (i) the risks and rewards of ownership of the goods have passed to the buyer and (ii) the amount of revenue can be measured reliably. Revenues are stated net of discounts, value added and sales taxes.

Summary of Differences Between IFRS and US GAAP

The Consolidated Financial Statements have been prepared in accordance with IFRS. There are some significant differences between IFRS and US GAAP.

The following section summarises significant differences between IFRS and US GAAP with respect to the determination of the Company's consolidated shareholders' equity as at 31 December 2001, 2002 and 2003 and the results from operations for each of the three years ended 31 December 2001, 2002 and 2003.

This summary does not address disclosure, classification or presentation differences other than the presentation of extraordinary items and components of shareholders' equity.

Intangible Assets

Under IFRS, research costs are expensed as incurred, and the development expenditure incurred on an individual project is capitalised when its future recoverability can reasonably be regarded as assured. Any expenditure capitalised is amortised over the period of expected future sales from the related project. The carrying value of development costs is reviewed for impairment annually when events or changes in circumstances indicate that the carrying value may not be recoverable.

US GAAP requires that research and development costs be expensed as incurred.

Amortisation of Goodwill and Intangible Assets Acquired in a Business Combination

IFRS requires goodwill to be amortised over the estimated useful life. In addition, goodwill is reviewed for impairment if impairment indicators arise.

Under US GAAP, for fiscal years beginning after 15 December 2001, in accordance with SFAS 141, Business Combinations, and SFAS 142, Goodwill and Other Intangibles, all identifiable intangible assets acquired in a business combination need to be segregated from goodwill and goodwill is no longer amortised but rather reviewed annually, or more frequently if impairment indicators arise, for impairment.

Amortization of Negative Goodwill

In accordance with IFRS the excess, as at the date of the exchange transaction, of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition, is described as negative goodwill and treated as deferred income.

US GAAP requires that, if the sum of the market or appraisal values of identifiable assets acquired less liabilities assumed exceed the cost of the acquired enterprise, the values otherwise assignable to non-current assets acquired shall be reduced by a proportionate part of the excess to determine the assigned value until the assets are reduced to zero. Any remaining excess is then immediately recognised as an extraordinary gain.

Non-Current Investments

In accordance with IFRS, non-current investments had been carried at the lower of cost and market value until December 31, 2000. As from January 1, 2001, available-for-sale financial assets are measured at fair value. Gains and losses on re-measurement to fair value are included in net profit or loss for the period in which they arise.

Under US GAAP, investments are classified as either trading, available-for-sale, or held-to-maturity, depending on management's intent with respect to holding such investments. Investments classified as available for sale are carried at fair value, with any unrealised gain or loss recorded as a separate component of shareholders' equity.

In Process Research and Development Costs Acquired

Under IFRS, expenditure on an asset representing research and development acquired in a business combination that is an acquisition should be capitalised.

US GAAP requires that in process research and development costs acquired in a business combination be charged to expense at the date of consummation of the combination.

Provisions

Under IFRS, a provision should be recognised when a present obligation exists as a result of a past event, it is probable (more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

US GAAP is more prescriptive than IFRS with respect to provisioning. Certain costs that may be accrued under IFRS are not allowed to be accrued under US GAAP.

Income Taxes

Under IFRS, deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Under US GAAP, the effect of a change in tax rates shall be included in income for the period that includes the enactment date.

Leases

Under IFRS, a finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset.

Under US GAAP, a lease shall be classified as a capital lease by the lessee if at its inception a lease meets one or more of four specific criteria.

Retirement Benefits

Under IFRS, the discount rate used reflects the long-term view of the plan and not current rates that could be used to settle the pension obligation.

Under US GAAP, the discount rate reflects the rates under which the pension benefits could be effectively settled.

Quantitative and Qualitative Disclosures About Market Risk***Credit Risk***

EBI has no significant concentration of credit risk with any single counterparty or group of counter parties.

Interest Rate Risk

EBI mainly enters into LIBOR-based contracts in its financial borrowings. As of 30 June 2004 and 31 December 2003, 10.0% of EBI's long-term debt was at fixed rates, down from 13.0% as of 31 December 2002 and up from 7.0% as of 31 December 2001.

The following table shows the weighted average effective interest rates that are calculated from different types of currencies as of the dates indicated:

| | <u>As of 31 December</u> | | | <u>As of 30 June</u> |
|------------------------------------|--------------------------|-------------|-------------|----------------------|
| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> |
| Fixed rate bank loans | 6.7% | 10.1% | 7.7% | 8.8% |
| Floating rate bank loans | 3.7% | 3.2% | 3.3% | 3.1% |
| Fixed leasing | 8.3% | 8.0% | 7.8% | 7.8% |

Foreign Exchange Risk

Foreign currencies play a significant role in the economies of the Territories. 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 local currencies. Consequently, any significant decline in the value of the measurement currencies of the subsidiaries against the U.S. Dollar may have a negative effect on the Operating Companies' financial position and results of their operations.

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

The net foreign currency liability position of the Company was approximately US\$85.0 million, approximately US\$26.0 and approximately US\$26.0 million as of 31 December 2003, 2002 and 2001, respectively, and approximately US\$96.0 million as of 30 June 2004.

Liquidity Risks

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

THE ANADOLU GROUP AND EFES BEVERAGE GROUP

The Company is a majority-owned subsidiary of Anadolu Efes, which, together with its direct and indirect subsidiaries and affiliates that form the Efes Beverage Group, produces and markets beer, malt, bottled water and soft drinks across Turkey and other countries in Eastern Europe, the Balkans and the CIS. Efes Beverage Group in turn forms part of the Anadolu Group, a Turkish corporate group with diversified interests in the automotive, finance, writing instruments and office supplies, and beverage industries through partnerships and joint ventures with leading international companies.

The Anadolu Group

Anadolu Endüstri Holding A.Ş. (“Anadolu Endüstri Holding”), which together with its subsidiaries and other affiliates makes up the Anadolu Group, was established in 1969 and is controlled by Yazıcılar Holding A.Ş. (“Yazıcılar”) and Özilhan Sinai Yatırım A.Ş. (“Özilhan”). Yazıcılar and Özilhan own 67.9% and 32.1%, respectively, of the shares in Anadolu Endüstri Holding. The Anadolu Group had combined net sales, excluding the financial services division, of US\$1.6 billion in 2003, and a pre-tax profit before monetary gain of US\$278.0 million.

Efes Beverage Group

Anadolu Efes, together with its direct and indirect subsidiaries (including EBI) and affiliates, constitute Efes Beverage Group. Efes Beverage Group produces and markets beer, malt, bottled water and soft drinks across Turkey and other countries in Eastern Europe, the Balkans and the CIS. All international brewing operations of Efes Beverage Group are conducted by EBI. Efes Beverage Group’s annual brewing capacity of approximately 20.0 million hectolitres, malting capacity of approximately 150,000 tonnes and Coca-Cola bottling capacity of approximately 420.0 million unit cases, make Efes Beverage Group one of the leading beverage groups in the CIS and the Balkans. Efes Beverage Group generated consolidated net sales and EBITDA of US\$745.7 million and US\$266.6 million, respectively, in 2003.

Beer Operations

Efes Beverage Group has been active in South Eastern Europe and Central Asia since 1991, when it first started to examine opportunities to develop new markets for its business. At present, Efes Beverage Group exports Efes branded beer products to 42 countries, including France, Germany, Iraq, Kosovo, Lebanon, the U.S., Switzerland, Turkmenistan, the United Arab Emirates and the United Kingdom. Efes Beverage Group’s five breweries, two malteries and one hops processing plant and distribution company in Turkey represent more than three-quarters of the brewing and malting capacity in Turkey, where it has a market share by sales volume of approximately 77.0% in 2003.

Soft-Drink Operations

Efes Beverage Group is also engaged in the preparation, packaging, distribution and sale of carbonated soft drink products in certain countries in the Caucasus and Central Asia through its subsidiary Efes-Invest under trademarks owned by The Coca-Cola Company (the “TCCC”). Efes-Invest was incorporated in 1993, started commercial production in 1996, and currently operates three Coca-Cola bottling plants in Kazakhstan, Azerbaijan and the Kyrgyz Republic in addition to a plant in Turkmenistan in which it is the largest shareholder and holds exclusive production and distribution rights in each country. Efes Invest has an annual bottling capacity of approximately 43.0 million unit cases. Efes Beverage Group is also the largest local shareholder of Coca-Cola İçecek A.Ş., which undertakes bottling and distribution activities in Turkey and has an annual bottling capacity of approximately 375.0 million unit cases.

RELATED PARTY TRANSACTIONS

There are a number of past and ongoing transactions by and between the Operating Companies and between the Operating Companies and companies within Efes Beverage Group. Past and ongoing transactions between Operating Companies include intercompany sales of beer products by Efes Russia to other Operating Companies, including canned beer products to Efes Kazakhstan. These sales are conducted on an “arms-length” basis. In addition, Efes Kazakhstan uses the direct sales and distribution network of Efes Beverage Group in the larger urban centres of Almaty and Astana. In 2003, 21.0% of Efes Kazakhstan’s sales volume was sold and distributed through such sales and distribution services. Finally, EBI, through certain of its Operating Companies, obtains management and technical support and licenses for key products from other companies within Efes Beverage Group, which is controlled by Anadolu Efes. The principal subsidiary of Anadolu Efes through which management support, technical assistance and brand licensing are provided by Efes Beverage Group to EBI is Efes Holland, an indirect owned subsidiary of Anadolu Efes.

Efes Beverage Group provides management support to Efes Russia and Efes Kazakhstan by making members of its management available to EBI who participate in key strategic planning and in the implementation of business policies and provide assistance to members of EBI’s own management. In addition, certain other functions of Efes Russia and Efes Kazakhstan, such as accounting, IT, raw material procurement, marketing and distribution, market research, and human resources, among others, are supported by Efes Beverage Group through Efes Holland. In consideration of such support, Efes Russia and Efes Kazakhstan pay to Efes Holland up to 3.0% of annual sales. This percentage includes a fee equal to 2.0% of their annual sales in respect of licenses for the brands used by Efes Russia and Efes Kazakhstan that are owned by Efes Beverage Group. The relationships are formalised through certain management support agreements and licensing agreements that are more fully described below. Similar agreements have recently been entered into by Efes Holland with Efes Moldova and Efes Serbia. These agreements have terms ranging from five to twenty years, except that, with respect to the agreements relating to Efes Russia, the twenty-year term (of which 14 years remain) may be extended with the occurrence of certain events.

In addition, Efes Russia leases its facilities in Rostov from Rostov Beverage under a six-year lease whose term began in March 2002. Efes Russia pays Rostov Beverage an annual rent of US\$1.25 million under such lease.

Management believes that in each case, the terms of such transactions are comparable to those that would be attainable by the Company or the relevant subsidiary in the ordinary course from unaffiliated third parties under similar circumstances. The following describes the material agreements between companies forming part of EBI and other members of Efes Beverage Group.

Management Support Agreements

Efes Holland has a management support agreement with Efes Russia dated 14 September 1998 (the “Russian Management Support Agreement”), one with Efes Kazakhstan dated 15 December 2001 (the “Kazakh Management Support Agreement”), one with Efes Moldova dated 1 July 2004 (the “Moldovan Management Support Agreement”) and one with Efes Serbia dated 15 April 2004 (the “Serbian Management Support Agreement”). Pursuant to these agreements Efes Holland provides board level support as well as administrative services (in the form of the provision of management systems and techniques, strategic planning and implementation), the introduction of a management information system, accounting and financial services (including financial monitoring systems, general financial services, budgeting assistance and assistance in choosing appropriate accounting and reporting systems), procurement services (such as assisting in the selection of raw materials and ensuring that sufficient supplies of any required raw materials are available), including procuring raw materials from abroad in the event that raw materials are not available through the usual channels, a marketing, distribution and sales service (including assistance with customer service, statistical analysis and market research and assistance in developing and evaluating the market and new markets), and human resources management services (such as assisting in determining and maintaining an appropriate management structure and levels of staffing and in determining the responsibilities and job specifications of the employees) and providing training in relation to the other services. Efes Holland is paid

an annual fee of 3.0% (which includes amounts payable under the Russian Trademark Licence, the Kazakh Trademark Licence, the Moldova Trademark Licence and the Serbian Trademark Licence (each as defined below)) of their respective revenue by each of Efes Kazakhstan, Efes Russia, Efes Moldova and Efes Serbia in return for the support provided. For the year 2004 both Efes Moldova and Efes Serbia will pay Efes Holland a flat fee of \$200,000. The agreement with Efes Russia terminates on the later date of five years after the EBRD sells its equity stake in Efes Russia and 31 December 2018. The agreement with Efes Kazakhstan terminates on 31 December 2010. The agreements are renewable at the option of either party but there is no obligation on either party to renew them.

Efes Holland has a technical support agreement with Interbrew Efes Romania dated 13 March 2000 and effective retroactively as of 30 September 1999 (the "Romanian Technical Support Agreement"). Pursuant to the Romanian Technical Support Agreement Efes Holland provides Interbrew Efes Romania with board and management-level support and technical support. Efes Holland is paid an annual fee of US\$100,000 by Interbrew Efes Romania in return for the support provided. The Romanian Technical Support Agreement continues so long as the InBev Parties and the Efes Parties have equal shareholdings in Interbrew Efes Romania but may be terminated by Efes Holland on 15 days' written notice.

Trademark Licences and Technical Support Agreements

Efes Holland licenses from another Efes Beverage Group company most of the trademarks, tradenames, know-how and technical expertise owned by Anadolu Efes and AET. Efes Holland and AET have entered into the following Trademark License, Technical Assistance and Know-How agreements with the Operating Companies:

Efes Russia

On 14 September 1998, Efes Russia entered into a trademark licence agreement with Efes Holland effective as of 1 January 1998 (the "Russian Trademark Licence"). The agreement grants an exclusive and non-transferable license to Efes Russia for *Efes Pilsener*, *Sary Melnik* and *Karagandinskoe* (which is exported to Kazakhstan) beers as well as licensing to Efes Russia the exclusive and non-transferable use of various *Efes Pilsener* and *Sary Melnik* trademarks and tradenames in Russia and *Karagandinskoe* in Kazakhstan. Under the agreement Efes Holland provides know-how and technical assistance to Efes Russia. Efes Russia pays Efes Holland fees of 2.0% (which is included in the fee payable under the Russian Management Support Agreement) of its revenue in return for the licences, the technical assistance and the know-how. The agreement terminates on the later date of five years after the EBRD sells its equity stake in Efes Russia and 31 December 2018.

Efes Kazakhstan

On 27 July 2002, Efes Kazakhstan entered into a trademark license, technical assistance and know-how agreement with Efes Holland effective as of 1 January 2002 (the "Kazakh Trademark Licence"), which has not yet been registered. Pending registration, the agreement is not enforceable in Kazakhstan. The agreement grants an exclusive and non-transferable license to Efes Kazakhstan for the *Efes Pilsener*, *Sary Melnik* and *Karagandinskoe* beers as well as licensing to Efes Kazakhstan the exclusive and non-transferable use within the Territory of various *Efes Pilsener*, *Sary Melnik* and *Karagandinskoe* trademarks and tradenames. Under the agreement Efes Holland provides know-how and technical assistance to Efes Kazakhstan. Efes Kazakhstan pays Efes Holland fees of 2.0% (which is included in the fee payable under the Kazakh Management Support Agreement) of its revenue in return for the licences, the technical assistance and the know-how. The agreement expires on 31 December 2010.

As an interim measure whilst the Kazakh Trademark Licence remains unregistered, Efes Kazakhstan entered into licence agreements with AET, which have been registered, licensing the relevant trademarks to Efes Kazakhstan on an exclusive basis, free of charge for eight years, from 21 March 2000. Management intends to terminate these agreements as soon as the Kazakh Trademark Licence is registered.

Efes Ukraine

On 1 December 2002, Efes Ukraine entered into a trademark license, technical assistance and know-how agreement with Efes Holland effective as of 1 January 2002 (the “Ukraine Trademark Licence”), which has not been registered. The agreement grants a non-exclusive and non-transferable license to Efes Ukraine for *Efes Pilsener* and *Sary Melnik* beers as well as licensing to Efes Ukraine the non-exclusive and non-transferable use within the Territory of various *Efes Pilsener* trademarks and tradenames and the *Sary Melnik* trademark and tradenames. Under the agreement, Efes Holland provides know-how and technical assistance to Efes Ukraine. Efes Ukraine pays Efes Holland fees of 2.0% of its revenue in return for the licences, the technical assistance and the know-how. The agreement expires on 31 December 2006 and Efes Ukraine must advise Efes Holland of its intent to extend the agreement by 31 August 2006. There is, however, no express or implied right to renew included in the contracts. In July 2004, the Company and the minority shareholders of Efes Ukraine entered into negotiations with prospective buyers in connection with the sale of 100.0% of the shares of Efes Ukraine. The sale process is underway and is yet to be completed.

Efes Moldova

On 1 July 2004, Efes Moldova entered into a trademark licence, technical assistance and know-how agreement with Efes Holland (the “Moldovan Trademark Licence”), which has not yet been registered. Prior to registration, the agreement is not enforceable in Moldova. The agreement grants to Efes Moldova a non-transferable licence that is exclusive in Moldova, subject to the discretion of Efes Holland to grant licences to other companies in the event of the market growing, for the *Efes Pilsener* and *Sary Melnik* beers as well as licensing to Efes Moldova, on the same terms, the use within Moldova of various *Efes Pilsener* trademarks and tradenames and the *Sary Melnik* trademark and tradenames. Under the agreement, Efes Holland provides know-how and technical assistance to Efes Moldova. Efes Moldova pays Efes Holland fees of 2.0% (which is included in the fee payable under the Moldovan Management Support Agreement) of its revenue in return for the licences, the technical assistance and the know-how. The agreement expires on 31 December 2014 and Efes Moldova must advise Efes Holland of its intent to extend the agreement by 31 August 2014. There is, however, no express or implied right to renew included in the contracts.

Efes Serbia

On 15 April 2004, Efes Serbia entered into a trademark licence, technical assistance and know-how agreement with Efes Holland (the “Serbian Trademark Licence”). The agreement grants to Efes Serbia a non-transferable licence that is exclusive in Serbia, subject to the discretion of Efes Holland to grant licences to other companies in the event of the market growing, for *Efes Pilsener* and *Sary Melnik* beers as well as licensing to Efes Serbia, on the same terms, the use within Serbia of various *Efes Pilsener* trademarks and tradenames and the *Sary Melnik* trademark and tradenames. Under the agreement, Efes Holland provides know-how and technical assistance to Efes Serbia. Efes Serbia pays Efes Holland fees of 2.0% (which is included in the fee payable under the Serbian Management Support Agreement) of its revenue in return for the licences, the technical assistance and the know-how. The agreement expires on 31 December 2024 and Efes Moldova must advise Efes Holland of its intent to extend the agreement by 31 August 2024. There is, however, no express or implied right to renew included in the contracts.

THE PRINCIPAL AND SELLING SHAREHOLDERS

Prior to the Offering, the Company is held as to 84.96% of its issued share capital by Anadolu Efes, a holding company based in Turkey. For a more detailed description of Anadolu Efes, see “The Anadolu Group and Efes Beverage Group — Efes Beverage Group.” Upon completion of the Offering and assuming that the Over-allotment Option is exercised in full, Anadolu Efes will hold directly 70.2% of the issued share capital of the Company. The Articles provide that holders of a majority of the share capital of the Company may elect all of the members of the Supervisory Board and Board of Management. Consequently, prior to and after the Offering, Anadolu Efes will continue to exercise control over the appointment of all of the members of the boards of the Company, will have in effect veto power over proposed resolutions of the General Meeting and will have the power to pass resolutions of the General Meeting in respect of all matters. See “Risk Factors — Risk Factors Relating to the Company — Anadolu Efes Has and Will Continue to Exercise Control.”

The table below sets forth certain information regarding the ownership of the Shares (i) as of the date of this document, and (ii) as of the Closing Date, as adjusted to give effect to the sale of the Shares in the form of GDRs by the Company and the Selling Shareholders in the Offering, by each shareholder who owns at least 5.0% of the Company’s outstanding Shares prior to the Offering or who is a Selling Shareholder (assuming that the Over-allotment Option is exercised in full).

| Shareholder | Before the Offering | | After the Offering ⁽¹⁾ | |
|--|---------------------|-----------------------------|-----------------------------------|-----------------------------|
| | Number of Shares | % of Share Capital | Number of Shares | % of Share Capital |
| Anadolu Efes | 103,920,200 | 84.96 | 103,920,200 | 70.22 |
| Balkan Beverages S.a.r.l. | 8,464,800 | 6.92 | — | — |
| European Bank for Reconstruction and Development | 2,821,400 | 2.31 | — | — |
| CTC-Emerging Markets Investors Fund | 1,742,500 | 1.42 | 640,403 | 0.43 |
| Kodak Retirement Income Plan: Emerging Markets . . | 1,439,600 | 1.18 | 529,082 | 0.36 |
| The Emerging Markets Strategic Fund | 1,134,200 | 0.93 | 416,841 | 0.28 |
| Templeton Strategic Emerging Markets Fund LDC . . | 959,400 | 0.78 | — | — |
| The President and Fellows of Harvard College | 655,100 | 0.54 | 240,762 | 0.16 |
| Yale University — Emerging Markets Management | 545,400 | 0.45 | 200,446 | 0.14 |
| Stichting A-Star Management Group ⁽²⁾ | 317,400 | 0.26 | 163,198 | 0.11 |
| Keough Partners L.P. | 197,500 | 0.16 | 72,586 | 0.05 |
| Kodak Pension Plan | 126,300 | 0.10 | 46,417 | 0.03 |
| Purchasers in the Offering | — | — | 41,770,065 | 28.22 |
| Total | 122,323,800 | 100.00⁽³⁾ | 148,000,000 | 100.00⁽³⁾ |

(1) Assuming full exercise of the Over-allotment Option.

(2) Stichting A-Star Management Group is a Dutch incorporated entity that has issued investment certificates (*certificaten van aandelen*) representing interests in ordinary shares to certain employees of EBI at a price determined by reference to the price paid for ordinary shares by private investors in a private placement effected by the Company in May 2002. As a result of that issuance, the total of the interests of directors and connected persons in the share capital, together with, any options, in respect of such share capital, amounts to, as of the date of this document, 84,700 ordinary shares or 0.07% of the share capital of the Company. The board of Stichting A-Star Management Group consists of three members who are members of the Board of Management of the Company.

(3) Percentages do not add up to 100.00 due to rounding.

Save as disclosed above, there are no other persons who could exercise control over the Company and no person has any right or option to acquire Shares, GDRs or any other securities of the Company.

DIRECTORS AND MANAGEMENT

The Company's management structure consists of the Supervisory Board and the Board of Management and certain executive officers pursuant to the Company's internal organisation.

Supervisory Board

Pursuant to the Articles, the Supervisory Board is responsible for the supervision of the Board of Management which is responsible for the overall management of the Company. The Supervisory Board meets at least four times per year. For a description of the Supervisory Board see "Description of Share Capital and Corporate Structure — Board Practices — Supervisory Board". The Supervisory Board currently consists of seven members. The names of the current members, together with their respective age, position within the Company, present principal occupations and qualifications are set out below. The business address of each of the members of the Supervisory Board is Efes Breweries International N.V., Strawinskylaan 633, 1077 XX, Amsterdam, The Netherlands.

Tuncay Özilhan, Chairman of the Board. Mr Özilhan, 57, is Chief Executive Officer ("CEO") of Anadolu Group, and also serves as chairman of the boards of directors of various other Anadolu Group companies, including Coca-Cola İçecek A.Ş. ("CCI") and Coca-Cola Satış ve Dağıtım A.Ş. (collectively, Coca-Cola Bottlers of Turkey ("CCBT")), Alternatifbank A.Ş. ("Alternatifbank"), and Anadolu Isuzu Otomotiv San. 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 (TÜSIAD) from 2001 to 2003.

Sir David Logan, Member of the Board. Sir David, 61, joined Efes Beverage Group in 2004. Prior to joining Efes Beverage Group, Sir David 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 David 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 David 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 David 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 David was Deputy Head of the Defence Department at the Foreign and Commonwealth Office.

İbrahim Yazıcı, Member of the Board. Mr Yazıcı, 55, serves as vice chairman of the boards of directors of Anadolu Isuzu, Çelik Motor 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 Anadolu Endüstri Holding, Anadolu Efes, Yazıcılar, Efes Invest and Anadolu Cetelem Tüketici Finansmanı A.Ş. ("Anadolu Cetelem").

Metin Tokpınar, Member of the Board. 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, Anadolu Endüstri Holding, 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 Türk Sinai Kalkınma Bankası A.Ş. ("TSKB") between 1974 and 1990, and general manager of TSKB between 1990 and 1998.

Mustafa Uysal, Member of the Board. 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 the Efes Beverage Group. He is also chief financial officer of Anadolu Endüstri Holding, and a member of the boards of directors of Alternatifbank, Alternatif Invest, Alternatif Leasing and other Anadolu Group companies.

Michael O'Neill, Member of the Board. Mr O'Neill, 59, joined Efes Beverage Group 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 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.

Ronald O. Drake, Member of the Board.* Mr Drake, 62, joined Efes Beverage Group in 2002. Mr Drake is currently the Chairman of Soros Investment Capital Ltd ("Soros"), a private equity fund that invests throughout southeastern Europe. Prior to joining Soros Fund Management as Director of Strategic Investments in 1999, Mr Drake was a Group Senior Vice President at ABN Amro Bank N.V., focusing on maximisation of asset recovery and a Managing Director of Merrill Lynch managing an internal merchant banking operation that he also founded. Mr Drake also previously worked as a multinational group head at Irving Trust Company responsible for worldwide financial services for large corporates.

*On 29 September 2004, Mr Drake announced his intention to resign from the Supervisory Board at some point prior to the meeting of the Supervisory Board currently scheduled for 23 November 2004. The Company has begun the process of searching for a suitable replacement, but it is too early to determine whether such a replacement will be found and appointed prior to the next scheduled meeting of the Supervisory Board. When a replacement is found, the Supervisory Board intends to, pursuant to the Articles, make a non-binding nomination for approval by the General Meeting. It is expected that, following nomination of a candidate by the Supervisory Board, the General Meeting will consider for approval such candidate.

Board of Management

Pursuant to the Articles, the Board of Management is responsible for the overall management of the Company and consists of four members. The Board of Management meets 12 times per year. For a description of the Board of Management see "Description of Share Capital and Corporate Structure — Board Practices — Board of Management". The names of the current members, together with their respective ages, positions on the Board of Management, previous positions and qualifications are set out below. The business address of each of the members of the Board of Management is Efes Breweries International N.V., Strawinskylaan 633, 1077 XX, Amsterdam, The Netherlands.

Muhtar Kent, Member of the Board and Chief Executive Officer of the Company. Mr Kent, 52, joined Efes Beverage Group in 1999 and currently serves as President and CEO of Efes Beverage Group and as a member of the board of management and CEO of the Company. Mr Kent also acts as vice chairman of the board of directors of Efes Invest, and member of the boards of directors of Anadolu Endüstri Holding, 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 of the Board. Mr Zorlu, 45, joined Efes Beverage Group in 1984, and currently serves as a member of the Company's board of management and is the chief financial officer and investor relations director of the Efes Beverage Group as well as a member of the boards of directors of various Efes Beverage companies, including Efes Invest, Efes Romania, Efes Moldova and Coca Cola bottling companies operating in Azerbaijan and the Kyrgyz Republic, Rostov Beverage, AET and Efes Holland.

Demir Şarman, Member of the Board and Chief Financial Officer of the Company. Mr Şarman, 34, joined Efes Beverage Group in 1997, and currently serves as a member of the board of management and chief financial officer of the Company. Mr Şarman is also a member of the board of directors of Efes Kazakhstan, Efes Russia, Efes Moldova, Efes Serbia, AET and Efes Holland. Prior to joining the Efes Beverage Group, Mr Şarman served as a senior auditor for Arthur Andersen in Turkey.

Gerard Jan Van Spall, Member of the Board. Mr Van Spall, 37, joined Efes Beverage Group in 2003 and currently serves as a member of the board of management. Mr Van Spall is also 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, Curaçao.

Senior Management

The names of the members of the senior management team of the Company (the “Executive Officers”), together with their respective ages, positions within the Company and qualifications, are set out below. The business address of each of the members of the senior management team of the Company is c/o Efes Breweries International N.V., Strawinskylaan 633, 1077 XX, Amsterdam, The Netherlands.

Semih Maviş, General Manager of Efes Russia. Mr Maviş, 55, joined Efes Beverage Group in 1984, and has served as general manager of Efes Russia since 1999. Previously, he was general manager of Ege Biracilik, and general manager of Güney Biracilik, as well as marketing coordinator and foreign export coordinator of Efes Beverage Group. The business address of Mr Maviş is 113546 Birulevo, Promzona 28A Ulitsa Podolskikh, Kursatov, Russia.

Iakov Tihman, General Manager of Efes Moldova. Mr Tihman, 60, joined Efes Beverage Group in 2003 as a member of the board of directors and the general manager of Efes Moldova. Mr Tihman has more than 33 years of experience in the brewing industry. Starting as a brewing assistant, at different times he was the director general of the government agency regulating the brewing industry and a deputy Minister of Agriculture of Moldova. In 1997, after acquiring shares in Vitanta, he returned to head the company. The business address of Mr Tihman is 167 Uzinelor Street MD, Chisinau, Moldova.

Dr Osman Çağlayan, General Manager of Efes Kazakhstan. Dr Çağlayan, 50, joined Efes Beverage Group in January 2001 as trade and export director. He was appointed as the general manager of Efes Kazakhstan in 2003. Before joining EBI, he served as the general manager of Yadex GmbH Frankfurt, Türk Tuborg and Abalıoğlu Tekstil. Dr Çağlayan has a Ph.D. from Bosphorus University. The business address of Mr Çağlayan is 75 Gogol Street, 470046 Karaganda, Kazakhstan.

Patrice Dierick, General Manager of Efes Serbia. Mr Dierick, 49, joined Efes Beverage Group in 2003. Before joining EBI, Mr Dierick worked as the general manager of Interbrew Yugoslavia. He has over ten years of experience in the brewing industry, occupying several functions and positions, including general management, business development as a director of mergers and acquisitions and strategic and long range planning as a corporate strategic planner. Prior to joining Interbrew, Mr Dierick was a managing consultant with Telesis Europe and before joining Telesis Europe, he was a retail analyst with Whitbread's retail division. The business address of Mr Dierick is Stevana Suplijska bb, 26000 Pancevo, Serbia and Montenegro.

Compensation and Interests of the Supervisory Board and the Board of Management

For the year ended 31 December 2003, the Company and the Operating Companies paid a total aggregate remuneration (including benefits in kind) of US\$50,192 to members of the Supervisory Board and US\$57,642 to members of the Board of Management. No member of the Management nor any connected person has any interest, including any options, in the share capital of the Company except for the investment certificates (*certificaten van aandelen*) issued to certain employees at a price determined by reference to the price paid for ordinary shares by private investors in a private placement effected by the Company in May 2002. As a result of that issuance, the total of the interests of directors and connected persons in the share capital of the Company, together with any options in respect of such share capital, amounts to, as of the date of this document, 84,700 ordinary shares or 0.07% of the share capital of the Company. See “The Principal and Selling Shareholders”.

DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE

Set out below is a summary of material information concerning the share capital of the Company, including a description of certain rights of the holders thereof, and related material provisions of the Articles and of Book 2 of the Dutch Civil Code (Boek 2 van het Burgerlijk Wetboek) ("Book 2"). This description does not purport to be complete and is qualified in its entirety by reference to the Articles and Book 2.

General

The Company was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of The Netherlands by notarial deed dated 2 October 1996 under the name of Efes (Moscow) Brewery Investments B.V. with B.V. number: 572.114. On 30 March 1998, the name of Efes (Moscow) Brewery Investments B.V. was changed to Efes Breweries International B.V. On 27 May 2003 Efes Breweries International B.V. was converted into a limited liability company (*naamloze vennootschap*). The Company's name was accordingly changed into Efes Breweries International N.V. The address of the Company is Strawinskyalaan 633, 1077 XX, Amsterdam, The Netherlands. The Company is registered in the commercial register of the Chamber of Commerce and Industry for Amsterdam under the number 33284696.

The following description is based on, and qualified in its entirety by reference to, the full text of the Company's Articles, after giving effect on Closing to the proposed amendment thereof as approved by the General Meeting on 29 April 2004.

Pursuant to Article 2 of the Articles of Association, the objects of the Company are:

- to participate in the capital and administration of a company or companies to be incorporated in Central Europe, Eastern Europe, the Russian Federation, other states of the Commonwealth of Independent States or elsewhere and to engage in the production, sale and distribution of alcoholic beverages and non-alcoholic beverages, water, barley, malt, yeast, their secondary products and packaging materials;
- to acquire or dispose of securities and negotiable instruments, provided that the Company shall not act as a broker or other financial services intermediary;
- to participate in corporate actions by, or corporate reorganisations of, investee companies, including capital increases by such companies or the issuance of bonds or other negotiable instruments by such companies;
- to undertake the management and administration of any investee companies, individual ventures or joint ventures (each a "Venture") which the Company may, from time to time, participate in, form or administer, or with which the Company may be affiliated, to prepare feasibility studies in respect of Ventures, or to assist in the undertaking of fixed investments by, or to assist in locating sources of finance for, such Ventures;
- to provide, on such terms as the Company may determine, consulting services to Ventures with respect to financial, legal or operational matters;
- to acquire, use, sell, hire or transfer intangible rights such as patents, trade marks, service marks, licenses, privileges, industrial models and designs, copyrights and trade names, or to act as licensor or licensee in relation to such rights, or to register or de-register, as the case may be, such rights with the related registries or similar agencies;
- to purchase, hire, lease or dispose of movable or immovable property, including but not limited to machinery and equipment for use in breweries and malteries, or to acquire any real or personal rights in such property, including, but not limited to, the pledge or mortgage of real property or the mortgage of commercial enterprises, or to establish such rights over the movables and immovables of the Company for the benefit of others, to register these rights in the land registry or any other related registry, to establish and register such rights, including the pledge or mortgage of real property and

the mortgage of commercial enterprises in the name of third parties, to act as attorney-in-fact in connection with the creation of pledges and mortgages over property of or in favour of third parties, to act as assignee of pledges or mortgages from third parties or to transfer pledges and mortgages to third parties, to release any pledge or mortgage which may have been created in the name of the Company and to give surety, including the mortgage of real property or the mortgage of commercial enterprises, with respect to any of the movable or immovable assets of the Company, and to register or de-register, as the case may be, such encumbrances in or from registries;

- to borrow money with or without security in order to give effect to the scope and objectives of the Company;
- to give management support service to its subsidiaries and affiliated companies; and
- all activities that are incidental to or which may be conducive to any of the foregoing.

Share Capital

At the date of this document, the Company's authorised share capital consists of 250 million ordinary shares with a nominal value of €1.00 per share and the Existing Share Capital consists of 122,323,800 issued and outstanding ordinary shares with a nominal value of €1.00 per share, all of which is fully paid. In connection with the Offering, the Company has authorised the issue of up to an additional 25,676,200 ordinary shares with a nominal value of €1.00 per share. After the Offering, the Company's issued and outstanding share capital will consist of 148,000,000 ordinary shares with a nominal value of €1.00 per share, all of which will be fully paid. The Company holds no treasury stock before the Offering and will hold none immediately after the Offering.

Form and Transfer of Shares

The ordinary shares of the Company are in registered form. They are available in the form of an entry in the share register of the Company without the issuance of a share certificate. Shares of this type are referred to in the Articles as "type I shares". If the Supervisory Board should so decide, the ordinary shares are also available in the form of an entry in the share register of the Company with the issuance of a share certificate. This share certificate must consist of a main part without a dividend sheet. Ordinary shares of this type (and share certificates of this type) are referred to in the Articles as "type II shares".

Subject to Dutch law and the Articles, the Company must keep a share register. The share register of the Company must be regularly updated. The name of each shareholder, its address, additional information required by law and such additional information as the Board of Management deems desirable must be entered into the share register. The requirement applies similarly to a right of pledge on shares and a right of usufruct on shares. In the latter cases, the information required to be included in the share register on the basis of Dutch law must be recorded. Shareholders and holders of a right of pledge or a right of usufruct on shares may request to be given, free of charge, a declaration with the information contained in the register with respect to the shares and rights registered in their name.

If required to do so on the basis of applicable rules or foreign law, the Board of Management may allow the shareholders register to be inspected by, and may provide information recorded therein as well as all other information regarding direct or indirect holdings to, foreign supervisory authorities.

If the Supervisory Board decides that ordinary shares are available in the form of type II shares, the holder of type I shares may request to be issued type II shares with certificates. The holder of type II shares may, after having returned his share certificates to the Company, request to have his ordinary shares registered in the form of type I shares.

Subject to Dutch law and the Articles, shares are transferred by written deed. To ensure the effectiveness of the transfer vis-à-vis the Company, the deed of transfer must be served on the Company, or the transfer must be acknowledged by the Company, all in accordance with the provisions of Dutch law and the Articles. If it concerns a type II share, the corresponding share certificate must be delivered to the Company. The Company can only acknowledge the transfer of a type II share by endorsement on the share certificate or by issuance of a new share certificate, at the option of the Board of Management.

Notification of Interests in Shares in the Company

For a discussion of Dutch legal provisions, including the Disclosure Act (as hereafter defined) and the Dutch Securities Act (as hereafter defined), which govern disclosure of share ownership, voting rights held and transactions effected, please see "Significant Ownership of Shares" below.

Issue of Additional Ordinary Shares and Pre-Emption Rights

Ordinary shares may be issued pursuant to a resolution adopted by the General Meeting on a proposal by the Supervisory Board. If the Supervisory Board has been delegated this authority by the General Meeting, shares may be issued pursuant to a resolution of the Supervisory Board. As long as the Supervisory Board is authorised to issue ordinary shares, the General Meeting may not resolve to issue ordinary shares. When resolving to issue ordinary shares, the General Meeting must, on a proposal by the Supervisory Board and with due observance of the provisions in the Articles, determine the price and further terms and conditions of issue. If the Supervisory Board has been delegated the authority to issue ordinary shares, it must, with due observance of the provisions in the Articles, determine the price and further terms and conditions of issue. If the Supervisory Board is delegated the authority to issue ordinary shares, the resolution must specify the number of ordinary shares that may be issued and the period during which the delegation will be effective. The delegation may be extended for periods not exceeding five years. Unless specified otherwise, the delegation is irrevocable. A resolution by the General Meeting to issue ordinary shares or to delegate the authority to do so to the Supervisory Board, requires a two-thirds majority vote of the votes cast. Unless permitted by Dutch law, ordinary shares may not be issued below their nominal value.

Subject to Dutch law and the Articles, shareholders have non-transferable pre-emption rights to subscribe to ordinary shares upon the issue of new ordinary shares in proportion to the aggregate amount of ordinary shares they hold. According to Dutch law and the Articles, this pre-emption right does not apply in respect of:

- any issuance of shares to the employees of the Company or employees of a group company (*groepsmaatschappij*) of the Company; and
- shares issued against payment in kind.

The Company must announce any issue of shares with pre-emption rights for shareholders and the period during which these rights can be exercised in the *Staatscourant* (the Dutch official Gazette) and in a Dutch daily newspaper with nation-wide distribution. The period during which pre-emption rights can be exercised must be at least two weeks starting from the date on which the issue is announced in the *Staatscourant* (the Dutch Official Gazette).

Subject to the approval of the Supervisory Board, pre-emption rights may be restricted or excluded by resolution of the General Meeting or, if it has been authorised to do so, by resolution of the Supervisory Board. The proposal for such a resolution must contain the reasons for taking this decision and the proposed issue price for the shares. Provided that the Supervisory Board has been delegated, or is simultaneously delegated, the authority to issue shares, the General Meeting may authorise the Supervisory Board to restrict or exclude preemption rights for a period of no more than five years. This period may be extended for successive periods not exceeding five years. Unless the authorisation provides otherwise, it cannot be revoked.

Resolutions of the General Meeting to restrict or exclude pre-emption rights and to delegate the authority to do so to the Supervisory Board require a majority vote of at least three quarters of the votes cast, if less than half of the issued capital is represented in the meeting. If at least half the issued capital is present or represented at the meeting, a two-thirds majority of votes cast is required for the adoption of such a resolution. The provisions summarised in this paragraph apply similarly to the granting of rights to subscribe to shares in the capital of the Company.

The authority to issue shares and to grant rights to subscribe for shares, and the authority to exclude the preemption rights of shareholders in connection therewith has been delegated to the Supervisory Board until

27 May 2008. This delegation extends to all shares in the share capital of the Company not yet issued at the time of the resolution of issue or grant.

Repurchase by the Company of Its Own Shares

Subject to authorisation by the General Meeting and the approval of the Supervisory Board and subject to the provisions of Dutch law and the Articles, the Board of Management may cause the Company to acquire fully paid up shares in its own share capital, provided: (1) the Company's equity minus the acquisition price is not less than the aggregate amount of its issued share capital and the reserves which must be maintained pursuant to Dutch law; and (2) the aggregate nominal value of the shares in its share capital acquired, held or held in pledge by the Company or by a subsidiary will not exceed ten per cent of the Company's issued share capital. These restrictions do not apply to the acquisition of shares for free.

The Board of Management may be authorised to acquire shares in the Company's share capital for a maximum period of eighteen months. In its resolution, the General Meeting must provide the number of shares that the Company may acquire in its own share capital, how these shares may be acquired and the price range to be observed. Subject to the approval of the Supervisory Board, the Board of Management may resolve to dispose of shares that the Company acquired in its own share capital.

Shares held by the Company or a subsidiary are not taken into account for determining whether a quorum is present at a General Meeting. They may not be voted and they do not entitle the Company or the subsidiary to distributions.

The Board of Management of the Company has been authorised to acquire shares in the Company's own capital until 28 October 2005.

Capital Reduction

With due observance of Dutch law and the Articles, the General Meeting may resolve to reduce the issued share capital by cancelling shares or by reducing the nominal value of shares by an amendment to the Articles. Dutch law and the Articles contain detailed provisions regarding (partial) repayment of shares, release from the obligation to pay up shares and cancellation of shares. The General Meeting may only adopt a resolution to reduce the share capital with a simple majority or, if less than fifty percent of the issued capital is represented, a majority of at least two-thirds of the votes cast.

General Meeting

General Meetings are held in Amsterdam, Haarlemmermeer (Schiphol Airport), Noordwijk (Zuid-Holland), Scheveningen or The Hague. The Company must convene its annual General Meeting within six months after the end of the financial year. The agenda for the annual General Meeting must contain, among other items placed on the agenda in accordance with Dutch law and the Articles, the discussion of the Board of Management's annual report, the adoption of the financial statements and the allocation of profits, the discharge of the members of the Board of Management and the members of the Supervisory Board from liability for the fulfilment of their duties during the relevant financial year and, if applicable, a proposal to pay a dividend.

The agenda contains the items selected by the person(s) convening the meeting. In addition, unless contrary to an important interest of the Company, the agenda contains the items requested by one or more shareholders or other persons entitled to attend General Meetings, alone or together representing at least one per cent. of the issued share capital or representing the amount of market capitalisation set by law. Requests must be filed with the Board of Management or the Supervisory Board at least sixty days before the day of the meeting. Resolutions cannot be taken in respect of subjects that have not been mentioned in the agenda.

Extraordinary General Meetings must be convened whenever the Board of Management or the Supervisory Board considers this appropriate. In addition, shareholders who individually or together hold to at least one-tenth of the total issued capital, may, stating the items to be discussed, request the Board of Management to convene an extraordinary General Meeting.

General Meetings are presided over by the Chairman of the Supervisory Board, or by another person charged by the Chairman of the Supervisory Board to preside over such meeting. In the absence of both the Chairman of the Supervisory Board and a person charged by the Chairman of the Supervisory Board to preside over the meeting, the members of the Supervisory Board present at the meeting must appoint one of them to be chairman, or, if no such members are present, the meeting itself appoints its chairman. The chairman must designate the secretary.

All shareholders and other persons entitled pursuant to Dutch law or the Articles to attend and/or vote at General Meetings are entitled to attend General Meetings, to address the General Meeting and if applicable to vote. In order to exercise the right to attend the meeting, address the meeting and/or vote at the meeting, shareholders and other persons entitled to attend and/or vote at General Meetings must notify the Company in writing of their intention to do so no later than on the day and at the place mentioned in the notice convening the meeting, and also, if they hold type II shares, stating the serial numbers of the share certificates. The Company will send tickets for admission to holders who have duly notified the Company.

Unless a Registration Date (as defined below) is used to determine who is entitled to attend a General Meeting, shareholders and other persons entitled to attend and/or vote at General Meetings must hold their shares or depositary receipts (*certificaten van aandelen*) both on the day mentioned in the notice for the meeting and on the day of the meeting itself.

The Board of Management may determine that persons authorised to attend and/or to vote at a General Meeting are those persons who, at a time designated by the Board of Management (the "Registration Date"), have been registered as such in one or more registers designated by the Board of Management for that purpose. The Registration Date cannot be earlier than the seventh day prior to the date of the General Meeting.

Shareholders may be represented at General Meetings by written proxy. In addition to the other requirements for attendance and voting at General Meetings, proxies must be brought to the meeting to allow the holder to gain admission. Copies of proxies must at the latest have been received by the Company on the Registration Date.

Members of the Board of Management and the Supervisory Board are authorised to attend General Meetings. They have an advisory vote. The chairman of the meeting has discretion to decide on all matters regarding admission, voting and other matters regarding the General Meeting.

Voting Rights

Each share confers the right to cast one vote at the General Meeting. There are no restrictions, either under Dutch law or in the Articles, on the right of non-residents of The Netherlands or foreign owners to hold or vote the shares, other than those also imposed on residents. Subject to certain exceptions provided by Dutch law or the Articles, resolutions are passed by at least a two-thirds majority of the votes cast unless Dutch law or the Articles prescribe a greater majority.

Financial Statements and Auditor

The financial year of the Company coincides with the calendar year. The Board of Management must prepare the financial statements within five months after the end of the financial year. The five month period may be extended to six months by the General Meeting for exceptional circumstances. The financial statements must be made available for inspection by shareholders at the offices of the Company within the same period.

Subject to Dutch law, the financial statements must be accompanied by an auditors' certificate, an annual report and certain other mandatory information.

The General Meeting is authorised to appoint the auditors of the Company. The Supervisory Board is entitled to make a non-binding nomination for the position. If the General Meeting does not appoint an

auditor, the Supervisory Board has this authority, or, if it does not do so either, the Board of Management has the authority.

Determination of, without limitation, such matters as the amount of profit and loss, the size of the distributable reserves, and whether it is allowed to repurchase shares or GDRs, must be made on the basis of the Company's statutory financial statements prepared using Dutch GAAP.

Profit and Loss

After adoption of the financial statements which show that a distribution of profits is allowed, the Board of Management, subject to the approval of the Supervisory Board, must determine the amount of the profit to be reserved. The profits that remain are at the free disposal of the General Meeting. If the vote in the General Meeting on a proposal to distribute or reserve profits is tied, the profits must be reserved.

The Company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to Dutch law. A loss may only be applied against reserves maintained pursuant to Dutch law to the extent permitted by Dutch law. The Board of Management, subject to the approval of the Supervisory Board and subject to the provisions of Dutch law, may resolve to distribute one or more interim dividends on shares. The Board of Management, subject to approval of the Supervisory Board, may resolve to distribute dividends in whole or in part other than in cash. The Board of Management, subject to approval of the Supervisory Board, may resolve to distribute the distributable reserves in whole or in part.

Distributions of profits and interim dividends are payable from a date and at a place or places to be determined by the Supervisory Board. The date of payment on type I shares may differ from the date of payment on type II shares. The Supervisory Board may determine the method of payment in respect of cash distributions on type I shares. Cash distributions on type II share certificates must, if these distributions are made payable outside The Netherlands only, be paid in Euro, or in a currency selected by the Supervisory Board. The person entitled to be paid a distribution on shares is the person in whose name the share is registered at the date selected for that purpose by the Supervisory Board for the type of share and the particular distribution. Such payment discharges the Company. Notices concerning distributions, which must include the dates and places of payment, must be made public in at least one daily newspaper with nationwide distribution and, outside The Netherlands, in at least one daily newspaper appearing in each of those countries other than the United States where the shares, on the application of the Company, have been admitted for official quotation, and further in such manner as the Supervisory Board may deem desirable.

A claim for payment of a distribution lapses five years after the date on which it first became payable.

Amendment of Articles

A resolution to amend the Articles may be adopted only upon the proposal of the Supervisory Board and provided the proposed texts have been available for inspection at the offices of the Company from the day on which the notice for the General Meeting was given until after the close of the meeting. The resolution requires at least a two-thirds majority of the votes cast.

Liquidation

A resolution to dissolve the Company may be adopted only upon the proposal of the Supervisory Board and provided the full proposal has been available for inspection at the offices of the Company from the day on which the notice for the General Meeting was given until after the close of the meeting. In the event of the dissolution of the Company, the balance remaining after all liabilities have been paid will be distributed among the shareholders in proportion to the nominal value of shares held. If the Company is dissolved pursuant to a resolution of the General Meeting and unless the General Meeting appoints one or more other liquidators, the members of the Board of Management act as the liquidators of the Company. In this capacity, they are supervised by the Supervisory Board.

Board Practices

Supervisory Board

Pursuant to the Articles, the Supervisory Board (*Raad van Commissarissen*) supervises the policies of the Board of Management, as well as the general course of affairs and the business of the Company. The Supervisory Board advises the Board of Management. In performing their duties, members of the Supervisory Board must serve the interests of the Company and those of its business. Certain resolutions of the Board of Management identified in the Articles require the approval of the Supervisory Board.

The Supervisory Board adopts resolutions by a majority of the votes cast at a meeting at which a majority of the members of the Supervisory Board is present or represented.

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. Upon a proposal of the Supervisory Board, the General Meeting determines the number of members of the Supervisory Board. Only individuals can serve as members of the Supervisory Board. Pursuant to the rules of the Supervisory Board (the “Supervisory Board Rules”), the Supervisory Board selects and recommends the appointment of members of the Supervisory Board and makes proposals for the remuneration of its members. The General Meeting determines the remuneration of the members of the Supervisory Board. The members of the Supervisory Board are reimbursed for reasonable expenses.

Pursuant to the Articles, the General Meeting is entitled to dismiss or temporarily suspend members of the Supervisory Board by a resolution adopted by at least a two-thirds majority of the votes cast, provided this majority represents more than one-half of the issued share capital. 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, with due observance of the provisions of the Articles and the Supervisory Board Rules, for a term of no more than four years, provided that no member holds office for more than three four-year terms or twelve years in aggregate as the case may be.

In accordance with the Articles, the Supervisory Board has appointed, from among its members, Mr. Tuncay Ozilhan as Chairman of the Supervisory Board (*President-commissaris*).

In line with the Dutch corporate governance code (see “— Corporate Governance Code”), the Supervisory Board has decided to create 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 once a year. Effective as of 23 August 2004, the Audit Committee is chaired by Mr Metin Tokpinar and the other member is Mustafa Uysal. Pursuant to the rules governing the Audit Committee, the Audit Committee supervises and 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 by the Company of financial information and a number of other issues.

Remuneration Committee

The Remuneration Committee is comprised of three Supervisory Board members and meets at least once a year. Effective as of 23 August 2004, the Remuneration Committee is chaired by Sir David Logan and the other members are Mr Tuncay Özilhan and Mr Michael O'Neill. Pursuant to the rules governing the Remuneration Committee, the Remuneration Committee prepares proposals for the Supervisory Board concerning remuneration policies for the Board of Management for adoption by the General Meeting, and the individual remuneration of members of the Board of Management for adoption by the Supervisory Board. In

addition, the Remuneration Committee prepares the Supervisory Board remuneration report on the remuneration policies.

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 Supervisory Board members and meets at least once a year. Effective as of 23 August 2004, the Selection and Appointment Committee is chaired by Mr Tuncay Özilhan and the other members are Mr Ibrahim Yazici and Mr Ronald Drake. Pursuant to the rules governing the Selection and Appointment Committee, the Selection and Appointment Committee prepares selection criteria and appointment procedures for members of the Board of Management and the Supervisory Board.

Advisors Council

The Company may invite retiring members of the Supervisory Board to serve, for a period of at least twelve months, on a standing committee that advises the Supervisory Board on an *ad hoc* basis (the “Advisors Council”). The Advisors Council will not be granted any powers or authority in the Articles or other regulations of the Company, but will be invited to attend meetings of the Supervisory Board. Members of the Advisors Council will not receive any remuneration for their services from the Company, but expenses relating to their services rendered to the Company will be reimbursed.

Board of Management

Pursuant to the Articles, the Board of Management (*Raad van Bestuur*) is responsible for the management of the Company, and, pursuant to the rules of the Board of Management (the “Board of Management Rules”), the general affairs of the Company’s business and the general affairs of group companies affiliated with the Company. Pursuant to the Articles, the Board of Management and any two members of the Board of Management acting jointly are authorised to represent the Company. If a member of the Board of Management becomes subject to a conflict between his personal interests and those of the Company, the Company may be represented by: the Board of Management acting as a whole; the other members of the Board of Management; a member of the Supervisory Board appointed by the Supervisory Board; or such other person or persons as may be appointed to represent the Company by the General Meeting (other than the conflicted member). If a member of the Board of Management becomes subject to a conflict between his interests (other than personal interests) and those of the Company, that member of the Board of Management may continue to represent the Company by acting jointly with another member of the Board of Management.

The Board of Management may adopt resolutions either by a majority of the votes cast at a meeting in which a majority of the members of the Board of Management is present or represented or unanimously in writing without a meeting.

Pursuant to the Articles, the General Meeting is entitled to appoint members of the Board of Management. The Supervisory Board is entitled to make a non-binding nomination for each vacancy. The Supervisory Board determines the number of members of the Board of Management upon a proposal by the Board of Management. Pursuant to the Supervisory Board Rules, the Supervisory Board selects and recommends the appointment of the members of the Board of Management and proposes the remuneration policy for members of the Board of Management for adoption by the General Meeting. The Supervisory Board determines the remuneration of individual members of the Board of Management, in accordance with the remuneration policy adopted by the General Meeting, and the contractual terms and conditions of employment of members of the Board of Management. Pursuant to the Articles, both individuals and legal entities can serve as members of the Board of Management.

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, upon expiry of the four year term, the former member can be re-appointed, with due observance of the Articles, for an additional term of no more than four years.

Pursuant to the Articles, the General Meeting is entitled to dismiss or temporarily suspend members of the Board of Management by a resolution adopted by at least a two-thirds majority of the votes cast, provided this majority represents more than one-half of the issued share capital. In addition, the Supervisory Board is entitled to temporarily suspend members of the Board of Management.

In accordance with the Board of Management Rules, the Supervisory Board has appointed, from among its members, Mr. Muhtar Kent as Chief Executive Officer, who must ensure the proper functioning of the Board of Management as a whole.

Corporate Governance Committee

On 10 March 2003 the Dutch government commissioned a committee (the “Tabaksblat Committee”) to conduct a review of corporate governance in The Netherlands. On 9 December 2003, the Tabaksblat Committee published a Dutch corporate governance code. The provisions of the code took effect on 1 January 2004, with the result that the annual report of the Company for the year 2004 should comply with the code’s best practice provisions or should explain why they do not comply. Although some of the provisions in the code have already been incorporated in the proposed new bill discussed below under “— Proposed Changes to Dutch Company Law”, the Dutch government announced on 1 March 2004 that it will propose the incorporation of some of the other provisions into Dutch law. One of the requirements that will be proposed to be incorporated into Dutch law is the obligation for companies to discuss in their annual report in detail the points on which they do not comply with the code, explaining the reasons for doing so.

Management acknowledges the importance of good corporate governance and has already implemented most of the best practice provisions in its corporate governance structure and Articles. See “— Corporate Governance Code” below.

Information to General Meeting

Pursuant to the Board of Management Rules, the Board of Management must provide the General Meeting with all information that it may require, unless important interests of the Company or any law, rule or regulation applicable to the Company would prevent it from doing so. Pursuant to the Supervisory Board Rules, the Supervisory Board must inform the General Meeting by means of a circular for shareholders of all facts and circumstances relevant to the items on the agenda. It must also provide the General Meeting with all information that the latter may require concerning an item on the agenda, unless important interests of the Company or any law, rule or regulation applicable to the Company would prevent it from doing so. Circulars for shareholders will be posted on the Company’s website.

Corporate Governance Code

The Company acknowledges the importance of good corporate governance and has, to the extent possible, implemented most of the best practice provisions of the code in its corporate governance structure and Articles. The following is a description of the material deviations from the provisions of the code.

Best practice provision II.1.1 of the code stipulates that members of the Board of Management are appointed for a maximum period of four years. As members of the Board of Management are appointed by the General Meeting, the Articles of the Company provide that the term of appointment of a member of the Board of Management will end at the closing of the first general meeting of shareholders to be held in the fourth year following the year the member of the Board of Management is appointed.

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. These provisions are not complied with. The Company will gradually replace its current members of the Supervisory Board in order to achieve by 2006 compliance with

the best practice provisions mentioned above. The Company 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 the Company's business.

Potential Mandatory Offer Rules

The directive of the European Parliament and of the Council of the European Union (the "Council") on takeover bids (the "Take-Over Directive") was adopted by the Council on 30 March 2004 and became effective on 20 May 2004. The Directive applies to all companies governed by the laws of a European Union member state of which all or some securities are admitted to trading on a regulated market in one or more member states. Pursuant to the Directive, a person holding securities in such a company that, when added to any existing holdings and the holdings of persons acting in concert with him, directly or indirectly give him control of that company, is required to make a public offer to all the holders of those securities for all their holdings at an equitable price. The laws of the member state in which the company has its registered office will determine what percentage of the voting rights in that company is regarded as conferring control over the company and the method of calculation of such percentage. It is currently not clear at what percentage of voting rights Dutch law will require that a public offer be made.

The Directive must be implemented into the laws of The Netherlands not later than 20 May 2006. The date for the Directive to enter into force has not yet been determined. A preamble to the Directive provides that the obligation to make a public offer should not apply to controlling holdings in existence on the date on which national legislation implementing the Directive comes into force. However, as the Directive provides for minimum standards relating to public offers, Dutch implementing legislation may be more stringent than the Directive. It is not clear whether Dutch implementing legislation will exclude controlling interests in existence as of the date such legislation enters into force.

Dutch Squeeze-Out Proceedings

If a person or company or group companies (the "Controlling Entity") hold in total 95.0% of a company's (the "Controlled Entity") issued share capital by nominal value for their own account, Dutch law permits the Controlling Entity to acquire the remaining shares in the Controlled Entity by initiating proceedings against the holders of the remaining shares. The price to be paid for such shares will be determined by the Enterprise Section of the Amsterdam Court of Appeal. A shareholder who holds less than 95.0% of the shares, but in practice controls the Controlled Entity's general meeting of shareholders, could attempt through a legal merger with another business or by subscribing to additional shares in the Controlled Entity (e.g. in exchange for a contribution of part of its own business) to raise its interest to 95.0%.

Proposed Changes to Dutch Company Law

On 6 July 2004, the First Chamber of the Dutch Parliament approved a bill proposing substantial changes in Dutch company law. The bill will become effective on 1 October 2004. Certain key elements of the bill applying to the Company are summarised below:

Important Board of Management decisions must be approved by shareholders. Resolutions of the Board of Management leading to an important change in the identity or character of the Company will require the approval of the General Meeting. This applies to resolutions in respect of:

- the transfer of most or all of the business;
- the entry into or termination of any long-term co-operation arrangement (including joint ventures); and
- the acquisition or disposal of participations with a value of at least one-third of the balance sheet total as per the most recently adopted annual accounts.

Shareholders must adopt a remuneration policy for members of the Board of Management. The new bill will require the Company to establish a policy in respect of the remuneration of the members of the

Board of Management. This policy must be adopted by the General Meeting. The policy will include all aspects of remuneration (including bonuses, stock options and severance payments). Adherence to the policy must be supervised by the Supervisory Board.

Option and share plans for members of the Board of Management must be approved by the General Meeting. The plans must contain a maximum limit on the number of shares and options that may be granted to members of the Board of Management and must include all applicable criteria. The grant of options or shares to individual members of the Board of Management does not require the approval of the General Meeting.

Holders of 1.0% of the issued share capital and/or certificates of shares and/or GDRs or shares and/or certificates of shares and/or GDRs representing a value of at least EUR 50 million may place items on the agenda. Persons representing individually or jointly at least 1.0% of the issued capital will have the right to put items on the agenda for a General Meeting. Persons individually or jointly representing a market value of at least €50 million will have the same right. The Board of Management may refuse to put an item on the agenda only if it would prejudice the vital interests of the Company.

Significant Ownership of Shares

Holders of Shares or GDRs may be subject to reporting obligations under the Dutch 1996 Act on Disclosure of Holdings in Listed Companies (*Wet melding zeggenschap in ter beurze genoteerde vennootschappen 1996*) (the "Disclosure Act") and the Dutch 1995 Act on the Supervision of the Securities Trade (*Wet toezicht effectenverkeer 1995*) (the "Dutch Securities Act"). Pursuant to the Disclosure Act, any person who holds an interest in the capital or voting rights of the Company at the time of the GDRs being admitted to listing at the London Stock Exchange, must give written notice to the Company and, by means of a standard form, The Netherlands Authority for the Financial Markets ("AFM") within four weeks of the GDRs being admitted to listing, unless such person holds less than 5.0% in the capital or voting rights of the Company. In addition, any person who, directly or indirectly, acquires or disposes of an interest in the capital or voting rights of the Company must immediately give written notice to the Company and, by means of a standard form, the AFM if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person falls within a different percentage range as compared with the percentage range applicable to the capital interest or voting rights held by such person prior to the acquisition or disposal. The percentage ranges referred to in the Disclosure Act are 0.0% to less than 5.0%, 5.0% to less than 10.0%, 10.0% to less than 25.0%, 25.0% to less than 50.0%, 50.0% to less than 66⅔% and 66⅔% or more.

On 3 July 2003, a draft bill to amend the Disclosure Act was submitted to the Second Chamber of the Dutch Parliament. According to the explanatory notes to the proposed bill, it is anticipated that the following percentage ranges will be introduced: 0.0% to less than 5.0%, 5.0% to less than 10.0%, 10.0% to less than 15.0%, 15.0% to less than 20.0%, 20.0% to less than 25.0%, and 25.0% or more. Under the proposed bill, above 25.0%, all direct or indirect transactions in the share capital or voting rights must be reported.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must be taken into account: (1) ordinary shares (or depositary receipts for ordinary shares or GDRs) directly held (or acquired or disposed of) by any person, (2) ordinary shares (or depositary receipts for ordinary shares or GDRs) held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement, and (3) ordinary shares (or depositary receipts for ordinary shares or GDRs) which such person, or any subsidiary or third party referred to above, may acquire pursuant to any option or other right held by such person. Special rules apply to the attribution of ordinary shares (or depositary receipts for ordinary shares or GDRs) which are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct in respect of ordinary shares (or depositary receipts for ordinary shares or GDRs) can also be subject to the reporting obligations, if such person has, or can acquire, the right to vote the ordinary shares or, in case of depositary receipts or GDRs, the underlying ordinary shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger the reporting

obligations as if such pledgee or beneficial owner were the legal holder of the ordinary shares (or depositary receipts for the ordinary shares or GDRs).

In addition, pursuant to the Dutch Securities Act and a decree based thereon, a shareholder who directly or indirectly holds a capital interest of more than 25.0% in the capital of the Company must, by means of a standard form, within ten days after the month in which the transaction occurs, notify to the AFM transactions in the ordinary shares or securities the value of which is co-dependent on the value of the ordinary shares (including, without limitation, an acquisition or disposal of the ordinary shares or depositary receipts issued for the ordinary shares issued by the Company or GDRs). If the reporting shareholder is a legal entity and not an individual, the obligations under the Dutch Securities Act also apply to members of the Board of Management and the Supervisory Board. In addition, the obligations apply to the following persons related to a 25.0% shareholder (if the 25.0% shareholder is not a legal entity): (1) spouses, (2) relations by blood or affinity to the first degree and other persons who share a household with these persons, and (3) relations by blood or affinity to the first degree who do not share a household with these persons but hold at least 5.0% of the ordinary shares (and/or depositary receipts for the ordinary shares and/or GDRs) in the capital or will obtain this percentage through the transaction.

The AFM keeps a public registry of and publishes all notifications made pursuant to the Disclosure Act and the Dutch Securities Act.

Non-compliance with the reporting obligations under the Disclosure Act or the Dutch Securities Act could lead to criminal fines, administrative fines, imprisonment or other sanctions. In addition, non-compliance with the reporting obligations under the Disclosure Act may lead to civil sanctions, including (i) a general suspension of voting rights in respect of the ordinary shares, or ordinary shares underlying any GDRs or other depositary receipts, for a period of up to three years, and/or (ii) a court order prohibiting a person from (acquiring or) exercising voting rights in respect of the ordinary shares, or ordinary shares underlying any GDRs or other depositary receipts, for a period of up to five years.

TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS

The following terms and conditions (subject to completion and amendment and excepting sentences in italics) will apply to the Global Depositary Receipts, and will be endorsed on each Global Depositary Receipt certificate:

The Global Depositary Receipts ("GDRs") represented by this certificate are each issued in respect of 5 ordinary shares of nominal value €1.00 each (the "Shares") in EFES BREWERIES INTERNATIONAL N.V. (the "Company") pursuant to and subject to an agreement dated 20 October 2004, and made between the Company and The Bank of New York in its capacity as depositary (the "Depositary") for the "Regulation S Facility" and for the "Rule 144A Facility" (such agreement, as amended from time to time, being hereinafter referred to as the "Deposit Agreement"). Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed ING Securities Services as Custodian (the "Custodian") to receive and hold on its behalf any relevant documentation respecting certain Shares (the "Deposited Shares") and all rights, interests and other securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the "Deposited Property"). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) as bare trustee in proportion to their holdings of GDRs. In these terms and conditions (the "Conditions"), references to the "Depositary" are to The Bank of New York and/or any other depositary which may from time to time be appointed under the Deposit Agreement, references to the "Custodian" are to ING Securities Services or any other custodian from time to time appointed under the Deposit Agreement and references to the "Main Office" mean, in relation to the relevant Custodian, its head office in Van Heenvlietlaan 220 1083 CN Amsterdam, The Netherlands or such other location of the head office of the Custodian in The Netherlands as may be designated by the Custodian with the approval of the Depositary (if outside The Netherlands) or the head office of any other custodian from time to time appointed under the Deposit Agreement.

The GDRs will upon issue be represented by interests in a Regulation S Master GDR, evidencing Regulation S GDRs, and by interests in a Rule 144A Master GDR, evidencing Rule 144A GDRs (as each such term is defined in the Deposit Agreement). The GDRs are exchangeable in the circumstances set out in "Summary of Provisions Relating to the GDRs while in Master Form" for a certificate in definitive registered form in respect of GDRs representing all or part of the interest of the holder in the Master GDR.

References in these Conditions to the "Holder" of any GDR shall mean the person or persons registered on the books of the Depositary maintained for such purpose (the "Register") as holder. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the certificates in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the specified office of the Depositary and each Agent (as defined in Condition 17) and at the Main Office of the Custodian. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement. **Holders of GDRs are not party to the Deposit Agreement, which specifically disallows application of the Contracts (Rights of Third Parties) Act 1999, and thus, under English Law, Holders of GDRs have no contractual rights against, or obligations to, the Company or Depositary. However, the Deed Poll executed by the Company in favour of the Holders (the "Deed Poll") provides that, if the Company fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any Holder may enforce the relevant provisions of the Deposit Agreement as if it were a party to the Deposit Agreement and was the "Depositary" in respect of that number of Deposited Shares to which the GDRs of which he is the Holder relate. The Depositary is under no duty to enforce any of the provisions of the Deposit Agreement on behalf of any Holder of a GDR or any other person.**

1. Withdrawal of Deposited Property and Further Issues of GDRs

- 1.1 Any Holder may request withdrawal of, and the Depositary shall thereupon relinquish, the Deposited Property attributable to any GDR upon production of such evidence of the entitlement of the Holder to

the relative GDR as the Depositary may reasonably require, at the specified office of the Depositary or any Agent accompanied by:

- (i) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn to be delivered at the Main Office of the Custodian, or (at the request, risk and expense of the Holder, and only if permitted by applicable law from time to time) at the specified office located in New York, London or The Netherlands of the Depositary or any Agent, or to the order in writing of, the person or persons designated in such order;
- (ii) the payment of such fees, taxes, duties, charges and expenses as may be required under these Conditions or the Deposit Agreement;
- (iii) the surrender (if appropriate) of GDR certificates in definitive registered form properly endorsed in blank or accompanied by proper instruments of transfer satisfactory to the Depositary to which the Deposited Property being withdrawn is attributable; and
- (iv) the delivery to the Depositary of a duly executed and completed certificate substantially in the form set out either (a) in Schedule 3, Part B, to the Deposit Agreement, if Deposited Property is to be withdrawn or delivered during the Distribution Compliance Period (such term being defined as the 40 day period beginning on the latest of the commencement of the Offering, the original issue date of the GDRs, and the issue date with respect to the additional GDRs, if any, issued in respect of the Managers' Over-allotment Option) in respect of surrendered Regulation S GDRs, or (b) in Schedule 4, Part B, to the Deposit Agreement, if Deposited Property is to be withdrawn or delivered in respect of surrendered Rule 144A GDRs.

1.2 Upon production of such documentation and the making of such payment as aforesaid for withdrawal of the Deposited Property in accordance with Condition 1.1, the Depositary will direct the Custodian, by tested telex, facsimile or SWIFT message, within a reasonable time after receiving such direction from such Holder, to deliver at its Main Office to, or to the order in writing of, the person or persons designated in the accompanying order:

- (i) a certificate (if any) for, or other appropriate instrument of title (if any) to or evidence of a book-entry transfer in respect of the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and
- (ii) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof; provided however that the Depositary may make delivery at its specified office in New York of any Deposited Property which is in the form of cash;

PROVIDED THAT the Depositary (at the request, risk and expense of any Holder so surrendering a GDR):

- (a) will direct the Custodian to deliver the certificates for, or other instruments of title to, or book-entry transfer in respect of, the relevant Deposited Shares and any document relative thereto and any other documents referred to in sub-paragraphs 1.2(i) and (ii) of this Condition (together with any other property forming part of the Deposited Property which may be held by the Custodian or its agent and is attributable to such Deposited Shares); and/or
- (b) will deliver any other property forming part of the Deposited Property which may be held by the Depositary and is attributable to such GDR (accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof);

in each case to the specified office located in New York or London of the Depositary (if permitted by applicable law from time to time) or at the specified office in The Netherlands of any Agent as designated by the surrendering Holder in the order accompanying such GDR.

- 1.3 Delivery by the Depositary, any Agent and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.
- 1.4 The Depositary may, in accordance with the terms of the Deposit Agreement and upon delivery of a duly executed order (in a form reasonably approved by the Depositary) and a duly executed certificate substantially in the form of (a) Schedule 3, Part A of the Deposit Agreement (*which is described in the following paragraph*) by or on behalf of any investor who is to become the beneficial owner of the Regulation S GDRs or (b) Schedule 4, Part A of the Deposit Agreement (*which is described in the second following paragraph*) by or on behalf of any investor who is to become the beneficial owner of Rule 144A GDRs from time to time execute and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects (or the same in all respects except for the first dividend payment on the Shares corresponding to such further GDRs) and, subject to the terms of the Deposit Agreement, the Depositary shall accept for deposit any further Shares in connection therewith, so that such further GDRs shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs.

The certificate to be provided in the form of Schedule 3, Part A, of the Deposit Agreement certifies, among other things, that the person providing such certificate is not a US person (as defined in Regulation S under the US Securities Act of 1933, as amended (the "Securities Act")), is located outside the United States and will comply with the restrictions on transfer set forth under "Transfer Restrictions, Selling Restrictions and Settlement".

The certificate to be provided in the form of Schedule 4, Part A, of the Deposit Agreement certifies, among other things, that the person providing such certificate is a qualified institutional buyer (as defined in Rule 144A under the Securities Act ("QIB")) or is acting for the account of another person and such person is a QIB and, in either case, will comply with the restrictions on transfer set forth under "Transfer Restrictions and Settlement".

- 1.5 Any further GDRs issued pursuant to Condition 1.4 which correspond to Shares which have different dividend rights from the Shares corresponding to the outstanding GDRs will correspond to a separate temporary global Regulation S GDR and/or Rule 144A GDR. Upon becoming fungible with outstanding GDRs, such further GDRs shall be evidenced by a Master Regulation S GDR and a Master Rule 144A GDR (by increasing the total number of GDRs evidenced by the relevant Master Regulation S GDR and the Master Rule 144A GDR by the number of such further GDRs, as applicable).
- 1.6 The Depositary may issue GDRs against rights to receive Shares from the Company (or any agent of the Company recording Share ownership). No such issue of GDRs will be deemed a "Pre-Release" as defined in Condition 1.7.
- 1.7 Unless requested in writing by the Company to cease doing so, and notwithstanding the provisions of Condition 1.4, the Depositary may execute and deliver GDRs or issue interests in a Master Regulation S GDR or a Master Rule 144A GDR, as the case may be, prior to the receipt of Shares (a "Pre-Release"). The Depositary may, pursuant to Condition 1.1, deliver Shares upon the receipt and cancellation of GDRs, which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such GDR has been Pre-Released. The Depositary may receive GDRs in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation from the person to whom GDRs or Deposited Property are to be delivered (the "Pre-Releasee") that such person, or its customer,

(i) owns or represents the owner of the corresponding Deposited Property or GDRs to be remitted (as the case may be), (ii) assigns all beneficial right, title and interest in such Deposited Property or GDRs (as the case may be) to the Depositary in its capacity as such and for the benefit of the Holders, (iii) will not take any action with respect to such GDRs or Deposited Property (as the case may be) that is inconsistent with the transfer of beneficial ownership (including without the consent of the Depositary, disposing of such Deposited Property or GDRs, as the case may be), other than in satisfaction of such Pre-Release, (b) at all times fully collateralised with cash or such other collateral as the Depositary determines in good faith will provide substantially similar liquidity and security, (c) terminable by the Depositary on not more than five (5) business days' notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of GDRs which are outstanding at any time as a result of Pre-Release will not normally represent more than thirty per cent. of the total number of GDRs then outstanding; provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate and may, with the prior written consent of the Company, change such limits for the purpose of general application. The Depositary will also set dollar limits with respect to such transactions hereunder with any particular Pre-Releasee hereunder on a case by case basis as the Depositary deems appropriate. The collateral referred to in sub-paragraph (b) above shall be held by the Depositary as security for the performance of the Pre-Releasee's obligations in connection herewith, including the Pre-Releasee's obligation to deliver Shares and/or other securities or GDRs upon termination of a transaction anticipated hereunder (and shall not, for the avoidance of doubt, constitute Deposited Property hereunder).

The Depositary may retain for its own account any compensation received by it in connection with the foregoing including, without limitation, earnings on the collateral.

The person to whom a Pre-Release of Rule 144A GDRs or Rule 144A Shares is to be made pursuant to this Condition 1.7 shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 4 Part A of the Deposit Agreement. The person to whom any Pre-Release of Regulation S GDRs or Regulation S Shares is to be made pursuant to this paragraph shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 3 Part A of the Deposit Agreement.

2. Suspension of Issue of GDRs and of Withdrawal of Deposited Property

The Depositary shall be entitled, at its reasonable discretion, at such times as it shall determine, to suspend the issue or transfer of GDRs (and the deposit of Shares) generally or in respect of particular Shares. In particular, to the extent that it is in its opinion practicable for it to do so, the Depositary will refuse to accept Shares for deposit, to execute and deliver GDRs or to register transfers of GDRs if it has been notified by the Company in writing that the Deposited Shares or GDRs or any depositary receipts corresponding to Shares are listed on a U.S. Securities Exchange or quoted on a U.S. automated inter dealer quotation system unless accompanied by evidence satisfactory to the Depositary that any such Shares are eligible for resale pursuant to Rule 144A. Further, the Depositary may suspend the withdrawal of Deposited Property during any period when the Register, or the register of shareholders of the Company is closed or, generally or in one or more localities, suspend the withdrawal of Deposited Property or deposit of Shares if deemed necessary or desirable or advisable by the Depositary in good faith at any time or from time to time, in order to comply with any applicable law or governmental or stock exchange regulations or any provision of the Deposit Agreement or for any other reason. The Depositary shall (unless otherwise notified by the Company) restrict the withdrawal of Deposited Shares where the Company notifies the Depositary in writing that such withdrawal would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Company's constitutive documents or would otherwise violate any applicable laws.

3. Transfer and Ownership

The GDRs are in registered form, each corresponding to 5 Shares. Title to the GDRs passes by registration in the Register and accordingly, transfer of title to a GDR is effective only upon such registration. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would

result in violation of any applicable laws. The Holder of any GDR will (except as otherwise required by law) be treated by the Depositary and the Company as its beneficial owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of any certificate issued in respect of it) and no person will be liable for so treating the Holder.

Interests in Rule 144A GDRs corresponding to the Master Rule 144A GDR may be transferred to a person whose interest in such Rule 144A GDRs is subsequently represented by the Master Regulation S GDR only upon receipt by the Depositary of written certifications (in the forms provided in the Deposit Agreement) from the transferor and the transferee to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"). Prior to expiration of the Distribution Compliance Period, no owner of Regulation S GDRs may transfer Regulation S GDRs or Shares represented thereby except in accordance with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act or to, or for the account of, a qualified institutional buyer as defined in Rule 144A under the U.S. Securities Act (each a "QIB") in a transaction meeting the requirements of such Rule 144A. There shall be no transfer of Regulation S GDRs by an owner thereof to a QIB except as aforesaid and unless such owner (i) withdraws Regulation S Shares from the Regulation S Facility in accordance with Clause 3.5 of the Deposit Agreement and (ii) instructs the Depositary to deliver the Shares so withdrawn to the account of the Custodian to be deposited into the Rule 144A Facility for issuance thereunder of Rule 144A GDRs to, or for the account of, such QIB. Issuance of such Rule 144A GDRs shall be subject to the terms and conditions of the Deposit Agreement, including, with respect to the deposit of Shares and the issuance of Rule 144A GDRs, delivery of the duly executed and completed written certificate and agreement required under the Deposit Agreement by or on behalf of each person who will be the beneficial owner of such Rule 144A GDRs certifying that such person is a QIB and agreeing that it will comply with the restrictions on transfer set forth therein and to payment of the fees, charges and taxes provided therein.

4. Cash Distributions

Whenever the Depositary shall receive from the Company any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Company) or otherwise in connection with the Deposited Property, the Depositary shall, as soon as practicable, convert the same into United States dollars in accordance with Condition 8. The Depositary shall, if practicable in the opinion of the Depositary, give notice to the Holders of its receipt of such payment in accordance with Condition 23, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the earliest date, determined by the Depositary, for transmission of such payment to Holders and shall as soon as practicable distribute any such amounts to the Holders in proportion to the number of Deposited Shares corresponding to the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11; PROVIDED THAT:-

- (a) in the event that the Depositary is aware that any Deposited Shares are not entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative Holders shall be adjusted accordingly; and
- (b) the Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency in which the distribution is made by the Depositary, and any balance remaining shall be retained by the Depositary beneficially as an additional fee under Condition 16.1(iv).

5. Distributions of Shares

Whenever the Depositary shall receive from the Company any distribution in respect of Deposited Shares which consists of a dividend or free distribution of Shares, the Depositary shall cause to be distributed to the Holders entitled thereto, in proportion to the number of Deposited Shares corresponding to the GDRs held by them respectively, additional GDRs corresponding to an aggregate number of Shares received pursuant to

such distribution. Such additional GDRs shall be distributed by an increase in the number of GDRs corresponding to the Master GDRs or by an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; PROVIDED THAT, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) sell such Shares so received and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

6. Distributions other than in Cash or Shares

Whenever the Depositary shall receive from the Company any dividend or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the Depositary shall distribute or cause to be distributed such securities or other property to the Holders entitled thereto, in proportion to the number of Deposited Shares corresponding to the GDRs held by them respectively, in any manner that the Depositary may deem equitable and practicable for effecting such distribution; PROVIDED THAT, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall deal with the securities or property so received, or any part thereof, in such way as the Depositary may determine to be equitable and practicable, including, without limitation, by way of sale (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) and shall (in the case of a sale) distribute the resulting net proceeds as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

7. Rights Issues

If and whenever the Company announces its intention to make any offer or invitation to the holders of Shares to subscribe for or to acquire Shares, securities or other assets by way of rights, the Depositary shall as soon as practicable give notice to the Holders, in accordance with Condition 23, of such offer or invitation, specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which Holders may request the Depositary to exercise such rights as provided below or, if such be the case, specifying details of how the Depositary proposes to distribute the rights or the proceeds of any sale thereof. The Depositary will deal with such rights in the manner described below:

- (i) if and to the extent that the Depositary shall, at its discretion, deem it to be lawful and reasonably practicable, the Depositary shall make arrangements whereby the Holders may, upon payment of the subscription price in Euro or other relevant currency together with such fees, taxes, duties, charges, costs and expenses as may be required under the Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the Depositary may reasonably require, request the Depositary to exercise such rights on their behalf with respect to the Deposited Shares and to distribute the Shares, securities or other assets so subscribed or acquired to the Holders entitled thereto by an increase in the numbers of GDRs corresponding to the Master GDRs or an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; or
- (ii) if and to the extent that the Depositary shall at its discretion, deem it to be lawful and reasonably practicable, the Depositary will distribute such rights to the Holders entitled thereto in such manner as the Depositary may at its discretion determine; or
- (iii) if and to the extent that the Depositary deems any such arrangement and distribution as is referred to in paragraphs (i) and (ii) above to all or any Holders not to be lawful and reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to

any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary (a) will, PROVIDED THAT Holders have not taken up rights through the Depositary as provided in (i) above, sell such rights (either by public or private sale and otherwise at its discretion subject to all applicable laws and regulations) or (b) may, if such rights are not transferable, in its discretion, arrange for such rights to be exercised and the resulting Shares or securities sold and, in each case, distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

- (iv) (a) Notwithstanding the foregoing, in the event that the Depositary offers rights pursuant to Condition 7(i) (the "Primary GDR Rights Offering"), if authorised by the Company to do so, the Depositary may, in its discretion, make arrangements whereby in addition to instructions given by a Holder to the Depositary to exercise rights on its behalf pursuant to Condition 7(i), such Holder is permitted to instruct the Depositary to subscribe on its behalf for additional rights which are not attributable to the Deposited Shares represented by such Holder's GDRs ("Additional GDR Rights") if at the date and time specified by the Depositary for the conclusion of the Primary GDR Offering (the "Instruction Date") instructions to exercise rights have not been received by the Depositary from the Holders in respect of all their initial entitlements. Any Holder's instructions to subscribe for such Additional GDR Rights ("Additional GDR Rights Requests") shall specify the maximum number of Additional GDR Rights that such Holder is prepared to accept (the "Maximum Additional Subscription") and must be received by the Depositary by the Instruction Date. If by the Instruction Date any rights offered in the Primary GDR Rights Offering have not been subscribed by the Holders initially entitled thereto ("Unsubscribed Rights"), subject to Condition 7(iv)(c) and receipt of the relevant subscription price in Euros or other relevant currency, together with such fees, taxes, duties, charges, costs and expenses as it may deem necessary, the Depositary shall make arrangements for the allocation and distribution of Additional GDR Rights in accordance with Condition 7(iv)(b).
- (b) Holders submitting Additional GDR Rights Requests shall be bound to accept the Maximum Additional Subscription specified in such Additional GDR Request but the Depositary shall not be bound to arrange for a Holder to receive the Maximum Additional Subscription so specified but may make arrangements whereby the Unsubscribed Rights are allocated *pro rata* on the basis of the extent of the Maximum Additional Subscription specified in each Holder's Additional GDR Rights Request.
- (c) In order to proceed in the manner contemplated in this Condition 7(iv), the Depositary shall be entitled to receive such opinions from Dutch counsel and US counsel as in its discretion it deems necessary which opinions shall be in a form and provided by counsel satisfactory to the Depositary and at the expense of the Company and may be requested in addition to any other opinions and/or certifications which the Depositary shall be entitled to receive under the Deposit Agreement and these Conditions. For the avoidance of doubt, save as provided in these Conditions and the Deposit Agreement, the Depositary shall have no liability to the Company or any Holder in respect of its actions or omissions to act under this Condition 7(iv) and, in particular, the Depositary will not be regarded as being negligent, acting in bad faith, or in wilful default if it elects not to make the arrangements referred to in Condition 7(iv)(a).

The Company has agreed in the Deposit Agreement that it will, unless prohibited by applicable law or regulation, give its consent to, and if requested use all reasonable endeavours (subject to the next paragraph) to facilitate, any such distribution, sale or subscription by the Depositary or the Holders, as the case may be, pursuant to Conditions 4, 5, 6, 7 or 10 (including the obtaining of legal opinions from counsel reasonably satisfactory to the Depositary concerning such matters as the Depositary may reasonably specify).

If the Company notifies the Depositary that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed under Condition 4, 5, 6, 7 or 10 or the securities to which such rights relate in order for the Company to offer such rights or distribute such securities or other property to the Holders or owners of GDRs and to sell the securities corresponding to such rights, the Depositary will not offer such rights or distribute such securities or other property to the Holders or sell such securities unless and until the Company procures the receipt by the Depositary of an opinion from counsel reasonably satisfactory to the Depositary that a registration statement is in effect or that the offering and sale of such rights or securities to such Holders or owners of GDRs are exempt from registration under the provisions of such law. Neither the Company nor the Depositary shall be liable to register such rights, securities or other property or the securities to which such rights relate and they shall not be liable for any losses, damages or expenses resulting from any failure to do so.

If at the time of the offering of any rights, at its discretion, the Depositary shall be satisfied that it is not lawful or practicable (for reasons outside its control) to dispose of the rights in any manner provided in paragraphs (i), (ii), (iii) and (iv) above, the Depositary shall permit the rights to lapse. The Depositary will not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Holders or owners of GDRs in general or to any Holder or owner of a GDR or Holders or owners of GDRs in particular.

8. Conversion of Foreign Currency

Whenever the Depositary shall receive any currency other than United States dollars by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgement of the Depositary be converted on a reasonable basis into United States dollars and distributed to the Holders entitled thereto, the Depositary shall as soon as practicable itself convert or cause to be converted by another bank or other financial institution, by sale or in any other manner that it may reasonably determine, the currency so received into United States dollars. If such conversion or distribution can be effected only with the approval or licence of any government or agency thereof, the Depositary shall make reasonable efforts to apply, or procure that an application be made, for such approval or licence, if any, as it may deem desirable. If at any time the Depositary shall determine that in its judgement any currency other than United States dollars is not convertible on a reasonable basis into United States dollars and distributable to the Holders entitled thereto, or if any approval or licence of any government or agency thereof which is required for such conversion is denied or, in the opinion of the Depositary, is not obtainable, or if any such approval or licence is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the Holders entitled thereto to the extent permitted under applicable law, or the Depositary may in its discretion hold such other currency for the benefit of the Holders entitled thereto. If any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) Holders entitled thereto, the Depositary may at its discretion make such conversion and distribution in United States dollars to the extent possible to the Holders entitled thereto and may distribute the balance of such other currency received by the Depositary to, or hold such balance for the account of, the Holders entitled thereto, and notify the Holders accordingly.

9. Distribution of any Payments

- 9.1 Any distribution of cash under Condition 4, 5, 6, 7 or 10 will be made by the Depositary to Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Company as is reasonably practicable) and, if practicable in the opinion of the Depositary, notice shall be given promptly to Holders in accordance with Condition 23, in each case subject to any laws or regulations applicable thereto and (subject to the provisions of Condition 8) distributions will be made in United States dollars by cheque drawn upon a bank in New York City or, in the case of the Master GDRs, according to usual practice between the Depositary and Clearstream, Euroclear or DTC, as the case may be. The Depositary or the Agent, as the case may be, may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit

Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Deposit Agreement or under applicable law or regulation in respect of such GDR or the relative Deposited Property.

- 9.2 Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Company as is reasonably practicable), subject to any laws or regulations applicable thereto. If any distribution made by the Company with respect to the Deposited Property and received by the Depositary shall remain unclaimed at the end of three years from the first date upon which such distribution is made available to Holders in accordance with the Deposit Agreement, all rights of the Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Depositary shall (except for any distribution upon the liquidation of the Company when the Depositary shall retain the same) return the same to the Company for its own use and benefit subject, in all cases, to the provisions of applicable law or regulation.

10. Capital Reorganisation

Upon any change in the nominal or par value, sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital, or upon any reorganisation, merger or consolidation of the Company or to which it is a party (except where the Company is the continuing corporation), the Depositary shall as soon as practicable give notice of such event to the Holders and at its discretion may treat such event as a distribution and comply with the relevant provisions of Conditions 4, 5, 6 and 9 with respect thereto, or may execute and deliver additional GDRs in respect of Shares or may require the exchange of existing GDRs for new GDRs which reflect the effect of such change.

11. Withholding Taxes and Applicable Laws

- 11.1 Payments to Holders of dividends or other distributions on or in respect of the Deposited Shares will be subject to deduction of Dutch and other withholding taxes, if any, at the applicable rates.
- 11.2 If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in The Netherlands in order for the Depositary to receive from the Company Shares or other securities to be deposited under these Conditions, or in order for Shares, other securities or other property to be distributed under Condition 4, 5, 6 or 10 or to be subscribed under Condition 7 or to offer any rights or sell any securities represented by such rights relevant to any Deposited Shares, the Company has agreed to apply for such authorisation, consent, registration or permit or file such report on behalf of the Holders within the time required under such laws. In this connection, the Company has undertaken in the Deposit Agreement to the extent reasonably practicable to take such action as may be required in obtaining or filing the same. The Depositary shall not be obliged to distribute GDRs representing such Shares, Shares, other securities or other property deposited under these Conditions or make any offer of any such rights or sell any securities corresponding to any such rights with respect to which such authorisation, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain (but shall, where assistance is reasonably requested by the Company, and such assistance does not require the Depositary to take any action in conflict with market practice or not in its capacity as Depositary, at the expense of the Company make reasonable endeavours to assist the Company to obtain) any such authorisation, consent, registration or permit, or to file any such report.

12. Voting Rights

- 12.1 Holders will have the right to instruct the Depositary with respect to the exercise of voting rights with respect to the Deposited Shares. The Company has agreed to notify the Depositary of any resolution

to be proposed at a General Meeting of the Company and the Depositary will vote or cause to be voted the Deposited Shares in the manner set out in this Condition 12.

The Company has agreed with the Depositary that it will promptly provide to the Depositary sufficient copies, as the Depositary may reasonably request, of notices of meetings of the shareholders of the Company and the agenda therefor as well as written requests containing voting instructions by which each Holder may give instructions to the Depositary to vote for or against each and any resolution specified in the agenda for the meeting, which the Depositary shall send to any person who is a Holder on the record date established by the Depositary for that purpose (which shall be the same as the corresponding record date set by the Company or as near as practicable thereto) as soon as practicable after receipt of the same by the Depositary in accordance with Condition 23. The Company has also agreed to provide to the Depositary appropriate proxy forms to enable the Depositary to procure the appointment of a representative to attend the relevant meeting and vote on behalf of the registered owner of the Deposited Shares.

- 12.2 In order for each voting instruction to be valid, the voting instructions form must be completed and duly signed by the respective Holder (or in the case of instructions received from the clearing systems should be received by authenticated SWIFT message) in accordance with the written request containing voting instructions and returned to the Depositary by such record date as the Depositary may specify.
- 12.3 The Depositary will exercise or cause to be exercised the voting rights in respect of the Deposited Shares so that a portion of the Deposited Shares will be voted for and a portion of the Deposited Shares will be voted against any resolution specified in the agenda for the relevant meeting in accordance with the voting instructions it has received.
- 12.4 If the Depositary is advised in the opinion referred to in Condition 12.7 below that it is not permitted by Dutch law to exercise the voting rights in respect of the Deposited Shares differently (so that a portion of the Deposited Shares may be voted for a resolution and a portion of the Deposited Shares may be voted against a resolution) the Depositary shall, if the opinion referred to in Condition 12.7 below confirms it to be permissible under Dutch law, calculate from the voting instructions that it has received from all Holders (x) the aggregate number of votes in favour of a particular resolution and (y) the aggregate number of votes opposed to such resolution and cast or cause to be cast in favour of or opposed to such resolution the number of votes representing the net positive difference between such aggregate number of votes in favour of such resolution and such aggregate number of votes opposed to such resolution.
- 12.5 The Depositary will only endeavour to vote or cause to be voted the votes attaching to Shares in respect of which voting instructions have been received, except that if no voting instructions are received by the Depositary (either because no voting instructions are returned to the Depositary or because the voting instructions are incomplete, illegible or unclear) from a Holder with respect to any or all of the Deposited Shares represented by such Holder's GDRs on or before the record date specified by the Depositary, such Holder shall be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to such Deposited Shares, and the Depositary shall give a discretionary proxy to a person designated by the Company to vote such Deposited Shares, PROVIDED THAT no such instruction shall be deemed given, and no such discretionary proxy shall be given, with respect to any matter as to which the Company informs the Depositary (and the Company has agreed to provide such information in writing as soon as practicable) that (i) the Company does not wish such proxy to be given, or (ii) such matter materially and adversely affects the rights of holders of Shares.
- 12.6 If the Depositary is advised in the opinion referred to in Condition 12.7 below that it is not permissible under Dutch law or the Depositary determines that it is not reasonably practicable to vote or cause to be voted such Deposited Shares in accordance with Conditions 12.3, 12.4 or 12.5 the Depositary shall not vote or cause to be voted such Deposited Shares.

- 12.7 Where the Depositary is to vote in respect of each and any resolution in the manner described in Conditions 12.3, 12.4 or 12.5 above the Depositary shall notify the Chairman of the Supervisory Board of the Company and appoint a person designated by him as a representative of the Depositary to attend such meeting and vote the Deposited Shares in the manner required by this Condition. The Depositary shall not be required to take any action required by this Condition 12 unless, if the Depositary so requests, it shall have received an opinion from the Company's legal counsel (such counsel being reasonably acceptable to the Depositary) at the expense of the Company to the effect that such voting arrangement is valid and binding on Holders under Dutch law and the statutes of the Company and that the Depositary is permitted to exercise votes in accordance with the provisions of this Condition 12 but that in doing so the Depositary will not be deemed to be exercising voting discretion.
- 12.8 By continuing to hold GDRs, all Holders shall be deemed to have agreed to the provisions of this Condition as it may be amended from time to time in order to comply with applicable Dutch law.
- 12.9 The Depositary shall not, and the Depositary shall ensure that the Custodian and its nominees do not, vote or attempt to exercise the right to vote that attaches to the Deposited Shares, other than in accordance with instructions given in accordance with this Condition.

13. Documents to be Furnished, Recovery of Taxes, Duties and Other Charges

The Depositary shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR shall be payable by the Holder thereof to the Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. In default thereof, the Depositary may for the account of the Holder discharge the same out of the proceeds of sale on any Stock Exchange on which the Shares may from time to time be listed, and subject to all applicable laws and regulations, of any appropriate number of Deposited Shares or other Deposited Property and subsequently pay any surplus to the Holder. Any such request shall be made by giving notice pursuant to Condition 23.

14. Liability

- 14.1 In acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or owners of GDRs or any other person.
- 14.2 Neither the Depositary, the Custodian, the Company, any Agent, nor any of their agents, officers, directors or employees shall incur any liability to any other of them or to any Holder or owner of a GDR or any other person with an interest in any GDRs if, by reason of any provision of any present or future law or regulation of The Netherlands or any other country or of any relevant governmental authority, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or by reason of any other circumstances beyond their control, or in the case of the Depositary, the Custodian, the Agent or any of their agents, officers, directors or employees, by reason of any provision, present or future, of the constitutive documents of the Company, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement or these Conditions provide shall or may be done or performed; nor shall any of them incur any liability to any Holder or owner of GDRs or any other person with an interest in any GDRs by reason of any exercise of, or failure to exercise, any voting rights attached to the Deposited Shares or any of them or any other discretion or power provided for in the Deposit Agreement. Any such party may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly

signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).

- 14.3 Neither the Depositary nor any Agent shall be liable (except for its own wilful default, negligence or bad faith or that of its agents, officers, directors or employees) to the Company or any Holder or owner of GDRs or any other person, by reason of having accepted as valid or not having rejected any certificate for Shares or GDRs or any signature on any transfer or instruction purporting to be such and subsequently found to be forged or not authentic or for its failure to perform any obligations under the Deposit Agreement or these Conditions.
- 14.4 The Depositary and its agents may engage or be interested in any financial or other business transactions with the Company or any of its subsidiaries or affiliates, or in relation to the Deposited Property (including without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold or be interested in GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and on any sales of property) without accounting to Holders or any other person for any profit arising therefrom.
- 14.5 The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Conditions 5, 6, 7, 10, 13 or 21 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures but shall have no liability (in the absence of its own wilful default, negligence or bad faith or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be reasonably practicable.
- 14.6 The Depositary shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Company of its obligations under or in connection with the Deposit Agreement or these Conditions.
- 14.7 The Depositary shall have no responsibility whatsoever to the Company, any Holders or any owner of GDRs or any other person as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.
- 14.8 In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreement, the Depositary shall not, except as otherwise expressly provided in Condition 22, be obliged to have regard to the consequence thereof for the Holders or the owners of GDRs or any other person.
- 14.9 Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary may refrain from doing anything which could or might, in its opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the Depositary may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.
- 14.10 The Depositary may, in relation to the Deposit Agreement and these Conditions, act or take no action on the advice or opinion of, or any certificate or information obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other expert whether obtained by the Company, the Depositary or otherwise, and (subject to Condition 14.13 below) shall not be responsible or liable for any loss or liability occasioned by so acting or refraining from acting or relying on information from persons presenting Shares for deposit or GDRs for surrender or requesting transfers thereof.
- 14.11 Any such advice, opinion, certificate or information (as discussed in Condition 14.10 above) may be sent or obtained by letter, telex, facsimile transmission, telegram or cable and (subject to

- Condition 14.13 below) the Depositary shall not be liable for acting on any advice, opinion, certificate or information purported to be conveyed by any such letter, telex or facsimile transmission although (without the Depositary's knowledge) the same shall contain some error or shall not be authentic.
- 14.12 The Depositary may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Company by a director of the Company or by a person duly authorised by a director of the Company or such other certificate from persons specified in Condition 14.10 above which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be occasioned by the Depositary acting on such certificate.
- 14.13 The Depositary shall have no obligation under the Deposit Agreement except to perform its obligations as are specifically set out therein without wilful default, negligence or bad faith.
- 14.14 The Depositary may delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, whether being a joint Depositary of the Deposit Agreement or not and not being a person to whom the Company may reasonably object, all or any of the powers, authorities and discretions vested in the Depositary by the Deposit Agreement and such delegation may be made upon such terms and subject to such conditions, including power to sub-delegate and subject to such regulations as the Depositary may in the interests of the Holders think fit, provided that no objection from the Company to any such delegation as aforesaid may be made to a person whose financial statements are consolidated with those of the Depositary's ultimate holding company. Any delegation by the Depositary shall be on the basis that the Depositary is acting on behalf of the Holders and the Company in making such delegation. The Company shall not in any circumstances and the Depositary shall not (provided that it shall have exercised reasonable care in the selection of such delegate) be bound to supervise the proceedings or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. However, the Depositary shall, if practicable and if so requested by the Company, pursue (at the Company's expense and subject to receipt by the Depositary of such indemnity and security for costs as the Depositary may reasonably require) any legal action it may have against such delegate or sub-delegate arising out of any such loss caused by reason of any such misconduct or default. The Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Company. Any delegation under this Condition which includes the power to sub-delegate shall provide that the delegate shall, within a specified time of any sub-delegation or amendment, extension or termination thereof, give notice thereof to the Company and the Depositary.
- 14.15 The Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a solicitor or other person, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money.
- 14.16 The Depositary shall be at liberty to hold or to deposit the Deposit Agreement and any deed or document relating thereto in any part of the world with any banking company or companies (including itself) whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute, and the Depositary shall not (in the case of deposit with itself, in the absence of its own negligence, wilful default, or bad faith or that of its agents, directors, officers or employees) be responsible for any losses, liability or expenses incurred in connection with any such deposit.
- 14.17 Notwithstanding anything to the contrary contained in the Deposit Agreement or these Conditions, the Depositary shall not be liable in respect of any loss or damage which arises out of or in connection with its performance or non-performance or the exercise or attempted exercise of, or the failure to exercise any of, its powers or discretions under the Deposit Agreement except to the extent that such

loss or damage arises from the wilful default, negligence or bad faith of the Depositary or that of its agents, officers, directors or employees.

- 14.18 No provision of the Deposit Agreement or these Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity and security against such risk of liability is not assured to it.
- 14.19 For the avoidance of doubt, the Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable Dutch law as the same may be amended from time to time. Notwithstanding the generality of Condition 3, the Depositary shall refuse to register any transfer of GDRs or any deposit of Shares against issuance of GDRs if notified by the Company, or the Depositary becomes aware of the fact, that such transfer or issuance would result in a violation of the limitations set forth above.
- 14.20 No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement.

15. Issue and Delivery of Replacement GDRs and Exchange of GDRs

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of the destruction, loss or theft) at the specified office of the Depositary or (at the request, risk and expense of the Holder) at the specified office of any Agent.

16. Depositary's Fees, Costs and Expenses

- 16.1 The Depositary shall be entitled to charge the following remuneration and receive the following remuneration and reimbursement (such remuneration and reimbursement being payable on demand) from the Holders in respect of its services under the Deposit Agreement:
- (i) for the issue of GDRs (other than upon the issue of GDRs pursuant to the Offering) or the cancellation of GDRs upon the withdrawal of Deposited Property: US\$5.00 or less per 100 GDRs (or portion thereof) issued or cancelled;
 - (ii) for issuing GDR certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR certificates: a sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs and expenses involved;
 - (iii) for issuing GDR certificates in definitive registered form (other than pursuant to (ii) above): the greater of US\$1.50 per GDR certificate (plus printing costs) or such other sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work plus costs (including but not limited to printing costs) and expenses involved;
 - (iv) for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares: a fee of US\$0.02 or less per GDR for each such dividend or distribution;
 - (v) in respect of any issue of rights or distribution of Shares (whether or not evidenced by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution: US\$5.00 or less per 100 outstanding GDRs (or portion thereof) for each such issue of rights, dividend or distribution; and
 - (vi) for transferring interests from and between the Regulation S Master GDR and the Rule 144A Master GDR: a fee of US\$0.05 or less per GDR;

- (vii) a fee of US\$0.02 or less per GDR for depositary services, which shall accrue on the last day of each calendar year and shall be payable as provided in paragraph (viii) below, provided however that no fee will be assessed under this provision to the extent a fee was charged in such calendar year pursuant to paragraph (iv) above; and
- (viii) any other charge payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents, in connection with the servicing of Deposited Shares or other Deposited Property (which charge shall be assessed against Holders as of the date or dates set by the Depositary and shall be payable at the sole discretion of the Depositary by billing such Holders for such charge or deducting such charge from one or more cash dividends or other cash distributions),

together with all expenses (including currency conversion expenses), transfer and registration fees, taxes, duties and charges payable by the Depositary, any Agent or the Custodian, or any of their agents, in connection with any of the above.

- 16.2 The Depositary is entitled to receive from the Company the fees, taxes, duties, charges, costs and expenses as specified in a separate agreement between the Company and the Depositary.

17. Agents

- 17.1 The Depositary shall be entitled to appoint one or more agents (the "Agents") for the purpose, *inter alia*, of making distributions to the Holders.
- 17.2 Notice of appointment or removal of any Agent or of any change in the specified office of the Depositary or any Agent will be duly given by the Depositary to the Holders.

18. Listing

The Company has undertaken in the Deposit Agreement to use its best endeavours to maintain, so long as any GDR is outstanding, a listing for the GDRs on the Official List of the UK Listing Authority and admission to trading on the market for listed securities of the London Stock Exchange.

For that purpose the Company will pay all fees and sign and deliver all undertakings required by the UK Listing Authority and the London Stock Exchange in connection with such listings. In the event that the listing on the Official List of the UK Listing Authority and admission to trading on the market for listed securities of the London Stock Exchange is not maintained, the Company has undertaken in the Deposit Agreement to use its best endeavours with the reasonable assistance of the Depositary (provided at the Company's expense) to obtain and maintain a listing of the GDRs on any other internationally recognised stock exchange in Europe.

19. The Custodian

The Depositary has agreed with the Custodian that the Custodian will receive and hold (or appoint agents approved by the Depositary to receive and hold) all Deposited Property for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement which include a requirement to segregate the Deposited Property from the other property of, or held by, the Custodian PROVIDED THAT the Custodian shall not be obliged to segregate cash comprised in the Deposited Property from cash otherwise held by the Custodian. The Custodian shall be responsible solely to the Depositary PROVIDED THAT, if and so long as the Depositary and the Custodian are the same legal entity, references to them separately in these Conditions and the Deposit Agreement are for convenience only and that legal entity shall be responsible for discharging both functions directly to the Holders and the Company. The Custodian may resign or be removed by the Depositary by giving 90 days' prior notice, except that if a replacement Custodian is appointed which is a branch or affiliate of the Depositary, the Custodian's resignation or discharge may take effect immediately on the appointment of such replacement Custodian. Upon the removal of or receiving notice of the resignation of the Custodian, the Depositary shall promptly appoint a successor Custodian (approved (i) by the Company, such approval not to be unreasonably withheld

or delayed, and (ii) by the relevant authority in The Netherlands, if any), which shall, upon acceptance of such appointment, and the expiry of any applicable notice period, become the Custodian. Whenever the Depositary in its discretion determines that it is in the best interests of the Holders to do so, it may, after prior consultation with the Company, terminate the appointment of the Custodian and, in the event of any such termination, the Depositary shall promptly appoint a successor Custodian (approved (i) by the Company, such approval not to be unreasonably withheld or delayed, and (ii) by the relevant authority in The Netherlands, if any), which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement on the effective date of such termination. The Depositary shall notify Holders of such change immediately upon such change taking effect in accordance with Condition 23. Notwithstanding the foregoing, the Depositary may temporarily deposit the Deposited Property in a manner or a place other than as therein specified; PROVIDED THAT, in the case of such temporary deposit in another place, the Company shall have consented to such deposit, and such consent of the Company shall have been delivered to the Custodian. In case of transportation of the Deposited Property under this Condition, the Depositary shall obtain appropriate insurance at the expense of the Company if and to the extent that the obtaining of such insurance is reasonably practicable and the premiums payable are of a reasonable amount.

20. Resignation and Termination of Appointment of the Depositary

- 20.1 The Company may terminate the appointment of the Depositary under the Deposit Agreement by giving at least 90 days' prior notice in writing to the Depositary and the Custodian, and the Depositary may resign as Depositary by giving at least 90 days' prior notice in writing to the Company and the Custodian. Within 30 days after the giving of either such notice, notice thereof shall be duly given by the Depositary to the Holders and to the UK Listing Authority and the London Stock Exchange.

The termination of the appointment or the resignation of the Depositary shall take effect on the date specified in such notice; PROVIDED THAT no such termination of appointment or resignation shall take effect until the appointment by the Company of a successor depositary under the Deposit Agreement and the acceptance of such appointment to act in accordance with the terms thereof and of these Conditions, by the successor depositary. The Company has undertaken in the Deposit Agreement to use its best endeavours to procure the appointment of a successor depositary with effect from the date of termination specified in such notice as soon as reasonably possible following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23 and to the UK Listing Authority and the London Stock Exchange.

- 20.2 Upon the termination of appointment or resignation of the Depositary and against payment of all fees and expenses due to the Depositary from the Company under the Deposit Agreement, the Depositary shall deliver to its successor as depositary sufficient information and records to enable such successor efficiently to perform its obligations under the Deposit Agreement and shall deliver and pay to such successor depositary all property and cash held by it under the Deposit Agreement. The Deposit Agreement provides that, upon the date when such termination of appointment or resignation takes effect, the Custodian shall be deemed to be the Custodian thereunder for such successor depositary, and the Depositary shall thereafter have no obligation under the Deposit Agreement or the Conditions (other than liabilities accrued prior to the date of termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations).

21. Termination of Deposit Agreement

- 21.1 Either the Company or the Depositary but, in the case of the Depositary, only if the Company has failed to appoint a replacement Depositary within 90 days of the date on which the Depositary has given notice pursuant to Condition 20 that it wishes to resign, may terminate the Deposit Agreement by giving 90 days' prior notice to the other and to the Custodian. Within 30 days after the giving of such notice, notice of such termination shall be duly given by the Depositary to Holders of all GDRs then outstanding in accordance with Condition 23.

- 21.2 During the period beginning on the date of the giving of such notice by the Depositary to the Holders and ending on the date on which such termination takes effect, each Holder shall be entitled to obtain delivery of the Deposited Property relative to each GDR held by it, subject to the provisions of Condition 1.1 and upon compliance with Condition 1, payment by the Holder of the charge specified in Condition 16.1(i) and Clause 10.1.1(a) for such delivery and surrender, and payment by the Holder of any sums payable by the Depositary and/or any other expenses incurred by the Depositary (together with all amounts that the Depositary is obliged to pay to the Custodian) in connection with such delivery and surrender, and otherwise in accordance with the Deposit Agreement.
- 21.3 If any GDRs remain outstanding after the date of termination, the Depositary shall as soon as reasonably practicable sell the Deposited Property then held by it under the Deposit Agreement and shall not register transfers, shall not pass on dividends or distributions or take any other action, except that it will deliver the net proceeds of any such sale, together with any other cash then held by it under the Deposit Agreement, *pro rata* to Holders of GDRs which have not previously been so surrendered by reference to that proportion of the Deposited Property which is represented by the GDRs of which they are the Holders. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement and these Conditions, except its obligation to account to Holders for such net proceeds of sale and other cash comprising the Deposited Property without interest.

22. Amendment of Deposit Agreement and Conditions

All and any of the provisions of the Deposit Agreement and these Conditions (other than this Condition 22) may at any time and from time to time be amended by agreement between the Company and the Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary, and any amendment (except as aforesaid) which shall increase or impose fees payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders until the expiration of three months after such notice shall have been given. During such period of three months, each Holder shall be entitled to obtain, subject to and upon compliance with Condition 1, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof, free of the charge specified in Condition 16.1(i) for such delivery and surrender but otherwise in accordance with the Deposit Agreement and these Conditions. Each Holder at the time when such amendment so becomes effective shall be deemed, by continuing to hold a GDR, to approve such amendment and to be bound by the terms thereof in so far as they affect the rights of the Holders. In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Condition 1, the Deposited Property attributable to the relevant GDR.

For the purposes of this Condition 22, an amendment shall not be regarded as being materially prejudicial to the interests of Holders if its principal effect is to permit the creation of GDRs in respect of additional Shares to be held by the Depositary which are or will become fully consolidated as a single series with the other Deposited Shares PROVIDED THAT temporary GDRs will represent such Shares until they are so consolidated.

23. Notices

- 23.1 Any and all notices to be given to any Holder shall be duly given if personally delivered, or sent by mail (if domestic, first class, if overseas, first class airmail) or air courier, or by telex or facsimile transmission confirmed by letter sent by mail or air courier, addressed to such Holder at the address of such Holder as it appears on the transfer books for GDRs of the Depositary, or, if such Holder shall have filed with the Depositary a written request that notices intended for such Holder be mailed to some other address, at the address specified in such request.
- 23.2 Delivery of a notice sent by mail or air courier shall be effective three days (in the case of domestic mail or air courier) or seven days (in the case of overseas mail) after despatch, and any notice sent by

telex transmission, as provided in this Condition, shall be effective when the sender receives the answerback from the addressee at the end of the telex and any notice sent by facsimile transmission, as provided in this Condition, shall be effective when the intended recipient has confirmed by telephone to the transmitter thereof that the recipient has received such facsimile in complete and legible form. The Depositary or the Company may, however, act upon any telex or facsimile transmission received by it from the other or from any Holder, notwithstanding that such telex or facsimile transmission shall not subsequently be confirmed as aforesaid.

- 23.3 So long as GDRs are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange and the rules of the UK Listing Authority or the London Stock Exchange so require, all notices to be given to Holders generally will also be published in a leading daily newspaper having general circulation in the UK (which is expected to be the Financial Times).

24. **Reports and Information on the Company**

- 24.1 The Company has undertaken in the Deposit Agreement (so long as any GDR is outstanding) to furnish the Depositary with six copies in the English language (and to make available to the Depositary, the Custodian and each Agent as many further copies as they may reasonably require to satisfy requests from Holders) of:
- (i) in respect of the financial year ending on 31 December 2003 and in respect of each financial year thereafter, the non-consolidated (and, if published for holders of Shares, consolidated) balance sheets as at the end of such financial year and the non-consolidated (and, if published for holders of Shares, consolidated) statements of income for such financial year in respect of the Company, prepared in conformity with generally accepted accounting principles in The Netherlands or International Financial Reporting Standards, as the case may be, and reported upon by independent public accountants selected by the Company, as soon as practicable (and in any event within 180 days) after the end of such year;
 - (ii) if the Company publishes semi-annual financial statements for holders of Shares, such semi-annual financial statements of the Company, as soon as practicable, after the same are published and in any event no later than four months after the end of the period to which they relate; and
 - (iii) if the Company publishes quarterly financial statements for holders of Shares, such quarterly financial statements, as soon as practicable, after the same are published, and in any event no later than 45 days after the end of the period to which they relate.
- 24.2 The Depositary shall upon receipt thereof give due notice to the Holders that such copies are available upon request at its specified office and the specified office of any Agent.
- 24.3 For so long as any of the GDRs remains outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the United States Securities Act of 1993, as amended, if at any time the Company is neither subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from such reporting requirements by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, the Company has agreed in the Deposit Agreement to supply to the Depositary such information, in the English language and in such quantities as the Depositary may from time to time reasonably request, as is required to be delivered to any Holder or beneficial owner of GDRs or to any holder of Shares or a prospective purchaser designated by such Holder, beneficial owner or holder pursuant to a Deed Poll executed by the Company in favour of such persons and the information delivery requirements of Rule 144A(d)(4) under the U.S. Securities Act of 1933, as amended, to permit compliance with Rule 144A thereunder in connection with resales of GDRs or Shares or interests therein in reliance on Rule 144A under the Securities Act and otherwise to comply with the requirements of Rule 144A(d)(4) under the Securities Act. Subject to receipt, the Depositary will deliver such information, during any period in which the Company informs the Depositary it is subject to the information delivery requirements of Rule 144A(d)(4), to any such holder, beneficial owner or

prospective purchaser but in no event shall the Depositary have any liability for the contents of any such information.

25. Copies of Company Notices

The Company has undertaken in the Deposit Agreement to transmit to the Custodian and the Depositary on or before the day when the Company first gives notice, by mail, publication or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, such number of copies of such notice and any other material (which contains information having a material bearing on the interests of the Holders) furnished to such holders by the Company (or such number of English translations of the originals if the originals were prepared in a language other than English) in connection therewith as the Depositary may reasonably request. If such notice is not furnished to the Depositary in English, either by the Company or the Custodian, the Depositary shall, at the Company's expense, arrange for an English translation thereof (which may be in such summarised form as the Depositary may deem adequate to provide sufficient information) to be prepared. Except as provided below, the Depositary shall, as soon as practicable after receiving notice of such transmission or (where appropriate) upon completion of translation thereof, give due notice to the Holders which notice may be given together with a notice pursuant to Condition 9.1, and shall make the same available to Holders in such manner as it may determine.

26. Moneys held by the Depositary

The Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Company or any Holder or any other person for any interest thereon, except as otherwise agreed and shall not be obliged to segregate such moneys from other moneys belonging to the Depositary.

27. Severability

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

28. Governing Law

28.1 The Deposit Agreement and the GDRs are governed by, and shall be construed in accordance with, English law except that the certifications set forth in Schedules 3 and 4 to the Deposit Agreement and any provisions relating thereto shall be governed by and construed in accordance with the laws of the State of New York and any United States Federal Court sitting in the Borough of Manhattan, New York City. The rights and obligations attaching to the Deposited Shares will be governed by Dutch law. The Company has submitted in respect of the Deposit Agreement and the Deed Poll to the jurisdiction of the English courts and the courts of the State of New York and any United States Federal Court sitting in the Borough of Manhattan, New York City and has appointed an agent for service of process in London and the Borough of Manhattan, New York City. The Company has also agreed in the Deposit Agreement, and the Deed Poll to allow, respectively, the Depositary and the Holders to elect that Disputes are resolved by arbitration.

28.2 The Company has irrevocably appointed Law Debenture, as its agent in England to receive service of process in any Proceedings in England based on the Deed Poll and appointed CT Corporation as its agent in New York to receive service of process in any Proceedings in New York. If for any reason the Company does not have such an agent in England or New York as the case may be, it will promptly appoint a substitute process agent and notify the Holders and the Depositary of such

appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

- 28.3 The courts of England are to have jurisdiction to settle any disputes (each a “Dispute”) which may arise out of or in connection with the GDRs and accordingly any legal action or proceedings arising out of or in connection with the GDRs (“Proceedings”) may be brought in such courts. Without prejudice to the foregoing, the Depositary further irrevocably agrees that any Proceedings may be brought in any New York State or United States Federal Court sitting in the Borough of Manhattan, New York City. The Depositary irrevocably submits to the non-exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- 28.4 These submissions are made for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdictions (whether concurrently or not).
- 28.5 In the event that the Depositary is made a party to, or is otherwise required to participate in, any litigation, arbitration, or Proceeding (whether judicial or administrative) which arises from or is related to or is based upon any act or failure to act by the Company, or which contains allegations to such effect, upon notice from the Depositary, the Company has agreed to fully cooperate with the Depositary in connection with such litigation, arbitration or Proceeding.
- 28.6 The Depositary irrevocably appoints The Bank of New York, London Branch, (Attention: The Manager) of 48th Floor, One Canada Square, London E14 5AL as its agent in England to receive service of process in any Proceedings in England based on any of the GDRs. If for any reason the Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Holders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

Information Relating to the Depositary

The Depositary is a state-chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department. The Depositary was constituted in 1784 in the State of New York. It is a wholly owned subsidiary of The Bank of New York Company, Inc., a New York bank holding company. The principal office of the Depositary is located at One Wall Street, New York, New York 10286. Its principal administrative offices are located at 101 Barclay Street, 22 floor West, New York, New York 10286. A copy of the Depositary’s Articles of Association, as amended, together with copies of The Bank of New York Company, Inc.’s most recent financial statements and annual report are available for inspection at the Corporate Trust Office of the Depositary located at 101 Barclay Street, New York, NY 10286 and at The Bank of New York, One Canada Square, London E14 5AL.

SUMMARY OF PROVISIONS RELATING TO THE GDRS WHILE IN MASTER FORM

The GDRs will initially be evidenced by (i) a single Master Regulation S GDR in registered form and (ii) a single Master Rule 144A GDR in registered form. The Master Regulation S GDR and the Master Rule 144A will be deposited with The Bank of New York as custodian for DTC and registered in the name of Cede & Co as nominee for DTC on the date the GDRs are issued. The GDRs represented by the Master Regulation S GDR will be held by DTC for the respective accounts of Euroclear and Clearstream. The Master Regulation S GDR and the Master Rule 144A GDR (collectively the "Master GDRs") contain provisions which apply to the GDRs while they are in master form, some of which modify the effect of the Conditions of the GDRs set out in this Offering Circular. The following is a summary of certain of those provisions. Unless otherwise defined herein, the terms defined in the Conditions shall have the same meaning herein.

The Master GDRs will only be exchanged for certificates in definitive registered form representing GDRs in the circumstances described in (i), (ii), (iii) or (iv) below in whole but not in part. The Depositary will irrevocably undertake in the Master GDRs to deliver certificates evidencing GDRs in definitive registered form in exchange for the relevant Master GDR to the Holders within 60 days in the event that:

- (i) DTC, or any successor to DTC, notifies the Depositary that it is unwilling or unable to continue as depositary and a successor depositary is not appointed within 90 calendar days; or
- (ii) DTC, Euroclear or Clearstream, Luxembourg, in the case of the Master Regulation S GDR, or DTC, in the case of the Master Rule 144A GDR, is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and, in each case, no alternative clearing system satisfactory to the Depositary is available within 45 days; or
- (iii) DTC or any successor ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended; or
- (iv) the Depositary has determined that, on the occasion of the next payment in respect of the GDRs, the Depositary or its agent would be required to make any deduction or withholding from any payment in respect of the GDRs which would not be required were the GDRs represented by certificates in definitive registered form, provided that the Depositary shall have no obligation to so determine or to attempt to so determine.

Any exchange shall be at the expense (including printing costs) of the relevant GDR holder.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through DTC, Euroclear or Clearstream, Luxembourg.

Upon any exchange of a Master GDR for certificates in definitive registered form, or any exchange of interests between the Master Rule 144A GDR and the Master Regulation S GDR pursuant to Clause 4 of the Deposit Agreement, or any distribution of GDRs pursuant to Conditions 5, 7 or 10 or any reduction in the number of GDRs represented thereby following any withdrawal of Deposited Property pursuant to Condition 1, the relevant details shall be entered by the Depositary on the register maintained by the Depositary whereupon the number of GDRs represented by the Master GDR shall be reduced or increased (as the case may be) for all purposes by the amount so exchanged and entered on the register, provided always that, if the number of GDRs represented by a Master GDR is reduced to zero, such Master GDR shall continue in existence until the obligations of the Company under the Deposit Agreement and the obligations of the Depositary pursuant to the Deposit Agreement and the Conditions have terminated.

Payments, Distributions and Voting Rights

Payments of cash dividends and other amounts (including cash distributions) will, in the case of GDRs represented by the Master Regulation S GDR be made by the Depositary through DTC, Euroclear and Clearstream and, in the case of GDRs represented by the Master Rule 144A GDR, will be made by the Depositary through DTC, on behalf of persons entitled thereto upon receipt of funds therefor from the

Company. A free distribution or rights issue of Shares to the Depositary on behalf of the Holders will result in the record maintained by the Depositary being marked up to reflect the enlarged number of GDRs represented by the relevant Master GDR.

Holders of GDRs will have voting rights as set out in the Terms and Conditions of the GDRs.

Surrender of GDRs

Any requirement in the Terms and Conditions of the GDRs relating to the surrender of a Regulation S GDR to the Depositary shall be satisfied by the production by DTC, Euroclear or Clearstream, Luxembourg, and relating to the surrender of a Rule 144A GDR to the Depositary shall be satisfied by the production by DTC, on behalf of a person entitled to an interest therein, of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by DTC, Euroclear or Clearstream, in the case of the Master Regulation S GDR, or by DTC in the case of the Master Rule 144A GDR. The delivery or production of any such evidence shall be sufficient evidence, in favour of the Depositary, any Agent and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs.

Notices

For as long as the Master GDRs are registered in the name of DTC (or its nominee), and the Regulation S GDRs represented by the Master Regulation S GDR are held by DTC on behalf of Euroclear and Clearstream, notices to Holders may be given by the Depositary by delivery of the relevant notice to DTC for communication to persons entitled thereto in substitution for delivery of notices in accordance with Condition 23. So long as GDRs are listed on the Official List maintained by the UK Listing Authority and admitted for trading on the London Stock Exchange, and the UK Listing Authority or the London Stock Exchange so requires, notices shall also be published in a leading newspaper having general circulation in the UK (which is expected to be the Financial Times).

The Master GDRs shall be governed by and construed in accordance with English law.

TAXATION

The following summary of material U.S. federal income, United Kingdom and Dutch tax consequences of ownership of Shares and GDRs is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Offering Circular. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Shares and holders of GDRs. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Shares or GDRs.

EACH PROSPECTIVE HOLDER IS URGED TO CONSULT HIS TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF THE OWNERSHIP AND DISPOSITION OF SHARES OR GDRs, INCLUDING THE APPLICABILITY AND EFFECT OF ANY OTHER TAX LAWS OR TAX TREATIES, AND OF PENDING OR PROPOSED CHANGES IN APPLICABLE TAX LAWS AS OF THE DATE OF THIS OFFERING CIRCULAR, AND OF ANY ACTUAL CHANGES IN APPLICABLE TAX LAWS AFTER SUCH DATE.

United States Federal Income Tax Considerations

The following is a summary of the material United States federal income tax consequences of the purchase, ownership, and disposition of Shares or GDRs by an investor that purchases such Shares or GDRs in connection with the Offering, but it does not purport to be a comprehensive description of all of the United States federal income tax considerations that may be relevant to a decision to purchase, own, or dispose of the Shares or GDRs. In particular, this summary of United States federal income tax matters deals only with holders that will hold the Shares or GDRs as capital assets, and does not address the tax treatment of the purchase, ownership, and disposition of Shares or GDRs under applicable state or local tax laws, or the laws of any jurisdiction other than the United States. In addition, this summary does not address special United States federal income tax situations, such as the United States federal income tax treatment of holders who are securities dealers, financial institutions, insurance companies, or tax-exempt organisations; who are holding Shares or GDRs as part of a hedging or larger integrated financial or conversion transaction; who are citizens or residents of a possession or territory of the United States; who are U.S. Holders (as defined below) with a currency other than the U.S. dollar as their functional currency; who are holding Shares or GDRs pursuant to certain retirement plans; who are holding Shares or GDRs pursuant to the exercise of an employee stock option or otherwise as compensation; or who own, directly, indirectly, or by attribution 10.0% or more of the voting stock of the Company. The Company believes and this discussion assumes, that it is not and will not become a passive foreign investment company (a "PFIC").

This summary is based upon the federal income tax laws of the United States on the Closing Date, including the Internal Revenue Code of 1986, as amended (the "Code"), which is subject to change, possibly with retroactive effect. In addition, this summary is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

Prospective purchasers of Shares or GDRs should consult their own tax advisors as to the United States federal income tax consequences of the purchase, ownership and disposition of Shares or GDRs, including the effect of any proposed legislation, in addition to the effect of any state or local tax laws or the laws of any jurisdiction other than the United States. In particular prospective investors are urged to confirm their status as Eligible U.S. Holders (as defined below) with their advisors and to discuss with their advisors any possible consequences of their failure to qualify as Eligible U.S. Holders.

U.S. Holders; Eligible U.S. Holders; Non-U.S. Holders

As used herein, a "U.S. Holder" is any beneficial owner of Shares or GDRs who is or who qualifies as a "United States person" for United States federal income tax purposes. For such purposes, a "United States person" is defined as (i) a citizen or "resident" (as defined below) of the United States; (ii) a corporation,

partnership or other entity created or organised in or under the laws of the United States or any State thereof or the District of Columbia (unless, in the case of a partnership, future Treasury regulations presently authorised under the Code otherwise provide); (iii) a trust if (a) a court within the United States is able to exercise primary supervision over the trust and (b) if one or more United States persons have the authority to control all substantial decisions of the trust; or (iv) an estate, the income of which is subject to United States federal income tax regardless of source. A “resident” of the United States generally includes an individual that (i) is lawfully admitted for permanent residence in the United States; (ii) is present in the United States for 183 days or more during a calendar year; or (iii) (a) is present in the United States for 31 days or more during a calendar year, (b) is present in the United States for an aggregate of 183 days or more, on a weighted basis, over a three-year period ending with such calendar year, and (c) does not have a closer connection to a “tax home” that is located outside the United States.

An “Eligible U.S. Holder” is a U.S. Holder that (i) is a resident of the United States for the purposes of the income tax treaty between The Netherlands and the United States (the “Treaty”), (ii) does not maintain a permanent establishment or fixed base in The Netherlands to which Shares or GDRs are attributable and through which the beneficial owner carries on or has carried on business (or, in the case of an individual, performs or has performed independent personal services) and (iii) who is not otherwise ineligible for benefits under the Treaty with respect to income and gain derived in connection with the Shares or GDRs.

A “Non-U.S. Holder” is any beneficial owner of Shares or GDRs that is not a United States person for United States federal income tax purposes as defined above.

United States Federal Income Taxation of U.S. Holders

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, holders of GDRs will be treated as the owners of the Shares represented by those GDRs, and exchanges of Shares for GDRs, and GDRs for Shares, will not be subject to United States federal income tax.

Taxation of Dividends

Under the United States federal income tax laws, and subject to the PFIC rules discussed below, U.S. Holders will include in gross income the gross amount of any cash or the fair market value of any property distributed by the Company (before reduction for Dutch withholding taxes, if any) in respect of Shares or GDRs, including a pro rata redemption of its Shares or GDRs, to the extent of the Company’s current and accumulated earnings and profits (as determined under United States federal income tax principles) as ordinary income when the dividend is actually or constructively received by the U.S. Holder, in the case of Shares, or by the Depositary, in the case of GDRs. However, since the Company does not maintain calculations of its earnings and profits under United States federal income tax principles, U.S. Holders will be unable to establish that a dividend is not out of earnings and profits and therefore will generally be required to treat the full amount of any distribution as a dividend.

The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporate shareholders in respect of dividends received from other United States corporations and will not be eligible for the reduced rate applied to the qualifying dividend income of individuals. The amount of the dividend distribution includible in income of a U.S. Holder will be the U.S. dollar value of the Euro (or other currency) payments made, determined at the spot Euro/U.S. dollar rate on the date such dividend distribution is includible in the income of the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars on that date. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in income to the date such payment is converted into U.S. dollars, will be treated as ordinary income or loss. Such gain or loss will generally be income from sources within the United States for foreign tax credit limitation purposes.

For purposes of the United States foreign tax credit limitation, dividends paid by the Company generally will constitute foreign source “passive income” (or, in the case of a U. S. Holder that is a “financial services entity” as defined in regulations under the Code, “financial services income”). The amount of any Dutch tax withheld, if any, on a distribution by the Company (after application of the Treaty if the U. S. Holder is an

Eligible U.S. Holder) may be deductible by a U.S. Holder, or, at the election of the U.S. Holder and subject to special rules and limitations under the Code, creditable (as a foreign tax credit) against the U.S. Holder's United States federal income tax liability attributable to the U.S. Holder's aggregate foreign source taxable income classified as "passive income" (or, if applicable, "financial services income") for United States foreign tax credit limitation purposes. All non-corporate U.S. Holders, and all U.S. Holders that are corporations and which own less than 10.0% of the voting stock of the Company, will not be entitled to claim a foreign tax credit for any taxes paid by the Company or its subsidiaries.

Distributions of additional Shares to U.S. Holders with respect to their Shares or GDRs that are made as part of a pro rata distribution to all shareholders of the Company generally will not be subject to United States federal income tax.

Taxation of Dispositions of Shares or GDRs

Subject to the discussion of the PFIC rules below, any gain or loss realized and recognized by a U.S. Holder on the sale or other disposition of Shares or GDRs (including upon the liquidation or dissolution of the Company or as a result of a non-pro rata redemption of Shares or GDRs) will be subject to United States federal income tax, as a capital gain or loss, on an amount equal to the difference between such U.S. Holder's adjusted tax basis in the Share or GDR and the amount realized on its disposition. A U.S. Holder's adjusted tax basis in a Share or GDR will generally be equal to the U.S. Holder's cost of acquiring the Share or GDR reduced (but not below zero) by the amount of any distribution that is treated as a return of basis.

Any gain or loss recognized upon the sale or other disposition of a Share or GDR will be either short-term capital gain or loss or, if held for more than one year, long-term capital gain or loss. For non-corporate U.S. Holders, the United States income tax rate applicable to a net long-term capital gain recognized for a year currently will not exceed 20.0%. For corporate U.S. Holders, a capital gain is currently taxed at the same rate as ordinary income. The deductibility of a capital loss, however, is subject to limitations for both non-corporate and corporate U.S. Holders.

A U.S. Holder that receives Euro on the sale or other disposition of Company shares will realize an amount equal to the U.S. dollar value of the Euro on the date of sale (or, in the case of cash basis and electing accrual basis taxpayers, the settlement date). A U.S. Holder will have a tax basis in the Euro received equal to the U.S. dollar amount realized. Any gain or loss on a subsequent conversion of the Euro into U.S. dollars for a different amount generally will be U.S. source ordinary income or loss.

For purposes of the United States foreign tax credit limitation, a recognized gain arising on the disposition by a U.S. Holder of Shares or GDRs will be United States source income. Subject to certain conditions, a capital loss recognized by a U.S. Holder will generally be allocated against United States source income.

Passive Foreign Investment Company Rules

The Company believes that it is not and will not become a PFIC. If the Company were a PFIC, all U.S. Holders could be subject to additional tax.

A foreign corporation would constitute a PFIC for United States federal income tax purposes if 75.0% or more of its gross income for a taxable year were to consist of passive income, or 50.0% or more of its average assets held during a taxable year were to consist of passive assets.

If the Company were a PFIC, in any year during which a U.S. Holder owned Shares or GDRs, the U.S. Holder would be subject to additional taxes on any "excess distributions" received from the Company and any gain realized from the sale or other disposition of Shares or GDRs (regardless of whether the Company continued to be a PFIC). A U.S. Holder has an "excess distribution" to the extent that distributions on Shares or GDRs during a taxable year exceed 125.0% of the average amount of distributions received during the three preceding taxable years (or if shorter, the U.S. Holder's holding period for such Shares or GDRs). To compute the tax on excess distributions or any gain, (i) the excess distribution or gain is allocated ratably over the U.S. Holder's holding period for the Shares or GDRs on a daily basis, (ii) the amount

allocated to the current taxable year, and to all taxable years prior to the first taxable year in which the Company was a PFIC, is taxed as ordinary income, (iii) the amount allocated to other taxable years is taxed at the highest applicable marginal rate in effect for each such year, and (iv) an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax attributed to amounts allocated to each taxable year. Special rules apply with respect to the calculation of the foreign tax credit with respect to excess distributions from a PFIC. Prospective U.S. Holders are urged to consult with their own tax advisors regarding the potential application of the PFIC rules.

United States Federal Income Taxation of Non-U.S. Holders

Subject to the discussion of United States backup withholding tax below, a Non-U.S. Holder of Shares or GDRs will not be subject to United States federal income or withholding tax on income derived by the Company, dividends paid to a Non-U.S. Holder by the Company or gains realized on the sale of Shares or GDRs, provided that (i) such income items are not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States (or, in the case where a Non-U.S. Holder is eligible for the benefits of an income tax treaty with the United States, the Non-U.S. Holder does not have a permanent establishment or fixed place of business in the United States to which such income is attributable), (ii) there has not been a present or former connection between the Non-U.S. Holder and the United States, including, without limitation, such Non-U.S. Holder's status as a citizen or former citizen thereof or resident or former resident of the United States, and (iii) in the case of a gain from the sale or disposition of Shares or GDRs by an individual, the Non-U.S. Holder is not present in the United States for 183 days or more during the taxable year of the sale or certain other conditions are met.

In all other cases, the Non-U.S. Holder generally will be subject to United States federal income tax in respect of such items of income in the same manner as a U.S. Holder. Where a Non-U.S. Holder that is also a corporation for United States federal income tax purposes is subject to United States federal income tax in respect of such items of income in the same manner as a U.S. Holder, such items of income, net of United States federal corporate income taxes, may also be subject to an additional "branch profits tax" of 30.0% (or such lower rate as may be specified by a tax treaty for whose benefits the Non-U.S. Holder corporation is eligible).

United States Backup Withholding Tax and Information Reporting

Generally, "backup" withholding tax and information reporting requirements apply to dividends paid on shares of stock, and to proceeds from the sale of shares, to a non-corporate U.S. Holder if such Holder fails to provide a correct taxpayer identification number and other information or fails to comply with certain other requirements.

In general, dividends paid on Shares or GDRs by the Company may be subject to United States backup withholding tax or information reporting, unless the holder has provided the required certification of its non-United States status or has otherwise established an exemption. In addition, under currently effective Treasury regulations, the proceeds from the sale of Shares or GDRs by a U.S. Holder or a Non-U.S. Holder through a United States or United States-related person will be subject to United States backup withholding tax and information reporting, unless the holder has provided the required certification of its non-United States status or has otherwise established an exemption.

A U.S. Holder can establish an exemption from the imposition of backup withholding tax by providing a duly completed Internal Revenue Service (the "IRS") form W-9 (or applicable successor form) to the U.S. Holder's broker or paying agent, reporting the U.S. Holder's taxpayer identification number (which for an individual will be his or her social security number), or by otherwise establishing its corporate or exempt status. A Non-U.S. Holder can establish an exemption from the imposition of backup withholding tax and information reporting by providing a duly completed IRS form W-8 (or applicable successor form) to the Non-U.S. Holder's broker or paying agent or by otherwise establishing the Non-U.S. Holder's corporate, exempt, or non-United States status.

Any amounts withheld under the backup withholding tax rules from a payment to a holder generally will be allowed as a refund or a credit against such holder's United States federal income tax, provided that the required information is furnished to the IRS.

United Kingdom Tax Considerations

The comments below are of a general nature and are based on current UK law and published Inland Revenue practice, both of which are subject to change, possibly with retrospective effect. The summary only covers the principal UK tax consequences for the absolute beneficial owners of Shares or GDRs who are, except where otherwise stated, resident in the UK for tax purposes. In addition, the summary (a) only addresses the tax consequences for holders who hold the Shares or GDRs as capital assets and does not address the tax consequences which may be relevant to certain other categories of holders, for example, dealers; (b) assumes that the holder is not a company which either directly or indirectly controls 10.0% or more of the voting power of the Company; (c) assumes that there will be no register in the UK in respect of the Shares or GDRs and neither the Shares nor GDRs will be held by, or issued by, as applicable, a depositary located in or incorporated in the UK; and (d) assumes that neither the Shares nor the GDRs will be paired with shares issued by a company incorporated in the UK.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular holder. Potential investors should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under UK law and Inland Revenue practice, of acquisition, ownership and disposition of Shares or GDRs in their own particular circumstances, by consulting their own tax advisors.

Taxation of Dividends

Income Tax and Corporation Tax

Holders who are resident in the UK will, in general, be subject to income tax or corporation tax on the total of the dividends received on their Shares or GDRs plus any withholding tax deducted in The Netherlands.

Withholding Tax and Tax Credits

When the Company pays dividends it is generally required to withhold 25.0% of the gross amount of the dividend paid to UK resident holders. Holders who are resident in the UK will generally be able to obtain relief at source or a refund from the Dutch tax authorities in respect of an amount equal to 10.0% of the gross amount of the dividend under the UK/Dutch Tax Treaty. The remaining 15.0% Dutch withholding tax is generally allowed as a credit against the UK tax liability of a UK resident holder but any excess of such Dutch withholding tax over the UK tax payable on the aggregate amount of the dividend and the Dutch withholding tax is generally not refundable.

Tax Liability for Individual Holders

For an individual holder who is liable to UK tax on the dividend at the Schedule F Ordinary Rate (currently 10.0%), the credits for Dutch tax deducted at source will exceed his UK income tax liability in respect of the dividend and he will have no further UK tax to pay. For an individual holder who is liable to UK tax on the dividend at the Schedule F Upper Rate (currently 32.5%), the UK tax will be chargeable on the gross dividend with credit for Dutch tax deducted at source at up to 15.0%. In appropriate cases, a holder will be entitled to relief at source or a refund of Dutch tax as described above.

Tax Liability for Corporate Shareholders

A holder within the charge to UK corporation tax and resident (for tax purposes) in the UK will be liable for UK corporation tax on the receipt of the gross dividend with credit for the Dutch tax deducted at

source at up to 15.0%. In appropriate cases, a holder will be entitled to relief at source or a refund of Dutch tax as described above.

Taxation of Capital Gains

The disposal or deemed disposal of the Shares or GDRs by a holder who is either (a) resident or ordinarily resident in the UK for tax purposes, or (b) (if not so resident or ordinarily resident) carries on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a company, a permanent establishment) and the Shares or GDRs have been used in or for the purposes of such trade, profession or vocation or have been used or held for the purposes of, or acquired for use by or for the purposes of, the branch or agency (or permanent establishment), may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains, depending on the holder's circumstances and subject to any available exemption or relief. In addition, holders who are individuals and who dispose of their Shares or GDRs while they are temporarily non-resident may be treated as disposing of them in the tax year in which they again become resident or ordinarily resident in the UK.

As regards a holder who is an individual, the principal factors that will determine the extent to which such gain will be subject to capital gains tax ("CGT") are the extent to which the holder realises any other capital gains in that year, the extent to which the holder has incurred capital losses in that or any earlier year, the level of the annual allowance of tax-free gains in the tax year in which the disposal takes place (the "annual exemption") and the level of available taper relief.

Taper relief will reduce the proportion of any gain realised on the disposal of the Shares or GDRs that is brought into the charge to CGT if (in the case of non-business assets) the Shares or GDRs are held by the holder for at least three years. A reduction of 5.0% of the gain is made for each whole year for which the Shares or GDRs have been held in excess of two years. In the case of non-business assets, the maximum reduction available is 40.0% after ten complete years of holding.

The annual exemption for individuals is to be £8,200 for the 2004/2005 tax year and, under current legislation, this exemption is, unless the UK Parliament decides otherwise, increased annually in line with the rate of increase in the retail price index. Holders should be aware that the UK Parliament is entitled to withdraw this link between the level of the annual exemption and the retail price index or even to reduce the level of the annual exemption for future tax years below its current level.

A holder which is a UK resident company, is entitled to an indexation allowance which applies to reduce capital gains to the extent that they arise due to inflation. Indexation allowance may reduce a chargeable gain but not create any allowable loss.

Stamp Duty and Stamp Duty Reserve Tax

No UK stamp duty will be payable on the issue or transfer of the Shares or GDRs, provided that any instrument of transfer is not executed in the UK or such instrument, wheresoever executed, does not relate to any property situated or to any matter or thing done or to be done in the UK.

No UK stamp duty reserve tax will be payable on the issue or transfer of Shares or GDRs.

Dutch Individual and Corporate Income and Capital Gains Tax Considerations

Residents of The Netherlands

The following is intended as general information only and it does not purport to present any comprehensive or complete picture of all aspects of Dutch tax laws which could be of relevance to a holder of Shares or GDRs of the Company. The following does not provide information for non-professional holders of Shares or GDRs. Holders and/or prospective holders of Shares or GDRs should therefore consult their tax adviser regarding the tax consequences of any purchase, ownership or disposal of Shares or GDRs.

The description of certain Dutch tax consequences set out below is only intended for corporate holders of Shares or GDRs, including associations which are taxed as corporate entities under Dutch tax law, that are

resident or deemed to be resident in The Netherlands for the purposes of Dutch taxation (“Dutch Corporate Entities”), excluding:

- (a) corporate entities that are not subject to Dutch corporate income tax;
- (b) pension funds (*pensioenfondsen*) and other entities that are exempt from Dutch corporate income tax;
- (c) corporate entities for whom the Shares or GDRs qualify as a participation, and which derive benefits from the Shares or GDRs which are exempt under the participation exemption as laid down in the Dutch Corporate Income Tax Act 1969; or
- (d) investment institutions (*beleggingsinstellingen*) as defined in the Dutch Corporate Income Tax Act 1969.

Dutch Corporate Entities

Any benefits derived or deemed to be derived from the Shares or GDRs (including any capital gains realised on the disposal thereof) that are held by a Dutch Corporate Entity are generally subject to corporate income tax at statutory rates of 34.5% (29.0% for the first €22,689.00 of taxable income).

Non-residents of The Netherlands

A holder of Shares or GDRs will not be subject to any Dutch taxes on income or capital gains in respect of dividends distributed by the Company or in respect of any gain realised on the disposal of Shares or GDRs (other than the withholding tax described below), provided that:

- (i) such holder is not resident or deemed to be resident in The Netherlands;
- (ii) such holder is not an individual who has opted to be taxed as a resident of The Netherlands for Dutch tax purposes;
- (iii) such holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands, and to which enterprise or part of an enterprise, as the case may be, the Shares or GDRs are attributable;
- (iv) such holder is not a taxable entity for Dutch corporate income tax purposes that is deemed to have a Dutch enterprise to which enterprise the Shares or GDRs are attributable;
- (v) if such holder is an individual, such income or capital gains do not form “benefits from miscellaneous activities in The Netherlands (*resultaat uit overige werkzaamheden in Nederland*)” which would, for instance, be the case if the activities in The Netherlands with respect to the GDRs exceed “normal active asset management” (*normaal actief vermogensbeheer*); and
- (vi) such holder does not have a substantial interest or a deemed substantial interest in the Company, or, if such holder does have such an interest, it forms part of the assets of an enterprise.

Withholding Tax

Dividends distributed by the Company are generally subject to withholding tax imposed by The Netherlands at a rate of 25.0%. Dividends distributed by the company include, but are not limited to:

- (i) distributions in cash or in kind, deemed and constructive distributions and repayments of paid-in capital not recognised for Dutch dividend withholding tax purposes;
- (ii) liquidation proceeds, proceeds from the redemption of Shares or, as a rule, consideration for the repurchase of Shares or by the Company in excess of the average paid-in capital recognised for Dutch dividend withholding tax purposes;

- (iii) the nominal value of Shares issued to a holder of Shares or an increase of the nominal value of Shares, as the case may be, to the extent that it does not appear that a contribution, recognised for Dutch dividend withholding tax purposes, has been made or will be made; and
- (iv) partial repayment of paid-in capital, recognised for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (a) the general meeting of shareholders of the Company has resolved in advance to make such repayment and (b) the nominal value of the Shares concerned has been reduced in an equal amount by way of an amendment to the Articles.

A holder of Shares or GDRs who is resident in a country other than The Netherlands, and if a treaty for avoidance of double taxation is in effect between The Netherlands and such country may, depending on the terms of such double taxation treaty, be eligible for a full or partial exemption from, or refund of, Dutch dividend withholding tax.

According to anti-dividend stripping rules, no exemption from or reduction or refund of, Dutch dividend withholding tax will be granted if the recipient of the dividend paid by the Company is not considered to be the beneficial owner (*uiteindelijk gerechtigde*) of such dividends.

In the period from 1 January 2001 up to and including 31 December 2005, the Company will be subject to a surtax of 20.0%, if it distributes dividends that are qualified as “excessive”. Dividends are considered to be “excessive” if the total proceeds distributed during a particular calendar year exceeds the highest of the following three amounts: (i) 4.0% of the Company’s market capitalisation at the beginning of the relevant calendar year, (ii) twice the amount of the average annual dividends that the Company has paid during the three calendar years immediately preceding 1 January 2001 based on a consistent dividend policy or (iii) the Company’s consolidated commercial result for the preceding fiscal year (adjusted for realised hidden reserves attributable to the period before 1 January 2001).

The surtax will be reduced on a pro-rata basis, to the extent that the Company is held by shareholders (other than a qualifying investment fund (*fiscale beleggingsinstelling*) owning 5.0% or more of the nominal share capital during an uninterrupted period of three years before the dividend distribution and who are resident of The Netherlands, The Netherlands Antilles or Aruba, a member state of the EU or a country with which The Netherlands has concluded a treaty for avoidance of double taxation.

If a holder of Shares or GDRs is resident in The Netherlands, The Netherlands Antilles or Aruba, a member state of the EU or a country with which The Netherlands has concluded a treaty for avoidance of double taxation, the Company is not required to withhold Dutch dividend withholding tax from dividends distributed by the Company to such holder of Shares or GDRs to the extent that such distribution is subject to surtax.

Gift, Estate and Inheritance Tax

No gift, estate and inheritance taxes will arise in The Netherlands with respect to an acquisition of the Shares or GDRs by way of a gift by, or on the death of, a holder who is neither resident nor deemed to be resident in The Netherlands, unless:

- (i) the holder at the time of the gift has or at the time of his death had an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Shares or GDRs are or were attributable; or
- (ii) in the case of a gift of the Shares or GDRs by an individual who at the time of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the gift, while being resident or deemed to be resident in The Netherlands.

For the purpose of the Dutch gift and inheritance tax, an individual who holds Dutch nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the 10 years preceding the date of the gift or his death.

For the purpose of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the 12 months preceding the date of the gift.

Value Added Tax

No Dutch Value Added Tax (VAT), sales tax or similar tax will be due in respect of any payment in consideration for the issue of the Shares or GDRs or with respect to any payment by the Company on the Shares or GDRs.

Other Taxes

Save for capital tax which will be payable by the Company, no Dutch registration tax, transfer tax, stamp duty or any other similar tax or duty will be payable in The Netherlands in respect of or in connection with the holding of the Shares or GDRs.

Canadian Tax Considerations

Taxation and Eligibility for Investment

Canadian purchasers of Shares or GDRs should consult their own legal and tax advisers with respect to the tax consequences of an investment in the Shares or GDRs in their particular circumstances and about the eligibility of the Shares or GDRs for investment by the purchaser under relevant Canadian legislation.

SUBSCRIPTION AND SALE

Under the terms of, and subject to, the conditions contained in an Underwriting Agreement dated 15 October 2004 (the "Underwriting Agreement") entered into between the Company, the Selling Shareholders and the Managers, the Managers named below have severally agreed to acquire, at the Offer Price, the number of Shares, in the form of GDRs, indicated below. The Company and the Selling Shareholders have agreed to make available, at the Offer Price, to the Managers, the number of Shares in the form of GDRs indicated below:

| <u>Name</u> | <u>New Shares</u> | <u>Existing Shares</u> |
|---|-------------------|------------------------|
| Credit Suisse First Boston (Europe) Limited | 20,540,960 | 10,088,840 |
| ABN AMRO Bank N.V. and NM Rothschild & Sons Limited (each trading as ABN AMRO Rothschild, an unincorporated equity capital markets joint venture) | 2,567,620 | 1,261,110 |
| CA IB Corporate Finance Beratungs Ges.m.b.H | 1,283,810 | 630,550 |
| UFG (UK) Limited | 1,283,810 | 630,550 |
| Total | 25,676,200 | 12,611,050 |

The Underwriting Agreement contains, amongst others, the following further provisions:

- Certain of the Selling Shareholders have granted to Credit Suisse First Boston (Europe) Limited, on behalf of the Managers, the Over-allotment Option to acquire up to 3,482,815 additional Shares in the form of GDRs at the Offer Price for the purposes of meeting over-allotments in connection with the Offering and to cover short positions resulting from stabilising transactions. The Over-allotment Option is exercisable upon written notice to such Selling Shareholders by Credit Suisse First Boston (Europe) Limited, on behalf of the Managers, given not later than the thirtieth day following the First Closing Date (as defined in the Underwriting Agreement and expected to be 20 October 2004).
- The Managers, on behalf of the Managers and the Selling Agent, will deduct from the proceeds of the Offering certain commissions to be borne by the Company and the Selling Shareholders, of 2.75% of an amount equal to the Offer Price multiplied by the number of GDRs representing Shares. In addition, the Managers are entitled to an aggregate commission from the Selling Shareholders of 2.75% of an amount equal to the Offer Price multiplied by the number of GDRs representing the Shares that are sold pursuant to the exercise of the Over-allotment Option.
- The obligations of the parties to the Underwriting Agreement are subject to certain conditions including, amongst others, the application for Admission having been approved on or prior to the Closing Date.
- Credit Suisse First Boston (Europe) Limited, on behalf of the Managers, has the right to terminate the Underwriting Agreement by notice to the Company given at any time in certain circumstances prior to payment of the net subscription or sale monies, as the case may be, for the Shares to the Company or the Selling Shareholders, as the case may be.
- The Selling Shareholders have agreed to pay any stamp duty or stamp duty reserve tax or other duty or tax arising on the sale of the Shares being sold by them pursuant to the Offering. The Company has agreed to pay the costs, fees and expenses of the Offering (together with any related value added tax);
- The Company has given customary warranties in relation to the business, the accounting records and the legal compliance of the Company, in relation to the Shares and in relation to the contents of this Offering Circular to the Managers, and the Selling Shareholders have given customary warranties in relation to their capacity and their conduct to the Managers; and
- The Company and the Selling Shareholders have given customary indemnities to the Managers in relation to any loss the Managers may suffer in connection with the Offering.

The Company and the Selling Shareholders have also agreed with the Managers that, during the period beginning with the date of the Underwriting Agreement and continuing to, and including the date 180 days after the Closing Date, they will not offer, issue, sell, contract to sell, pledge (or charge in respect of the Selling Shareholders), grant options over or otherwise dispose of any securities (or publicly announce any such issuance, offer, sale or disposal) of the Company that are substantially similar to the Shares or GDRs, without the prior written consent of Credit Suisse First Boston (Europe) Limited (such consent not to be unreasonably withheld or delayed), otherwise than pursuant to the terms of the Underwriting Agreement.

Anadolu Efes and certain members of the Supervisory Board and the Management Board and/or connected persons have agreed, pursuant to the Lock-up Letters with the Managers, that during the period beginning with the date of the Underwriting Agreement and continuing to, and including the date 365 days after the Closing Date, they will not offer, issue, sell, contract to sell, pledge, grant options over or otherwise dispose of any securities (or publicly announce any such issuance, offer, sale or disposal) of the Company that are substantially similar to the Shares or GDRs, without the prior written consent of Credit Suisse First Boston (Europe) Limited (such consent not to be unreasonably withheld or delayed) otherwise than pursuant to the terms of the Lock-up Letters.

TRANSFER RESTRICTIONS, SELLING RESTRICTIONS AND SETTLEMENT**Transfer Restrictions*****Rule 144A GDRs***

Each purchaser of Rule 144A GDRs in the Offering, by its acceptance thereof, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

- (1) The purchaser (i) is a QIB, (ii) is aware that, and each Beneficial Owner of such Rule 144A GDRs has been advised that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring such Rule 144A GDRs for its own account or for the account of a QIB.
- (2) The purchaser is aware the Rule 144A GDRs and the Shares represented thereby have not been and will not be registered under the Securities Act and are being offered in the United States in reliance on Rule 144A only in a transaction not involving any public offering in the United States within the meaning of the Securities Act.
- (3) If in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Rule 144A GDRs or the Shares represented thereby, such Rule 144A GDRs and Shares may be offered, sold, pledged or otherwise transferred only in accordance with the following legend, which the Rule 144A GDRs will bear unless otherwise determined by the Company and the Depositary in accordance with applicable law:

THIS RULE 144A GLOBAL DEPOSITARY RECEIPT AND THE SHARES OF EFES BREWERIES INTERNATIONAL N.V. REPRESENTED HEREBY (THE "SHARES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR TERRITORY OF THE UNITED STATES OR ANY OTHER JURISDICTION. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THE RULE 144A GLOBAL DEPOSITARY RECEIPTS EVIDENCED BY THIS CERTIFICATE OR THE SHARES REPRESENTED THEREBY. THE BENEFICIAL OWNER OF SHARES RECEIVED UPON CANCELLATION OF ANY RULE 144A GLOBAL DEPOSITARY RECEIPT MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SHARES INTO ANY DEPOSITARY RECEIPT FACILITY IN RESPECT THEREOF ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK (INCLUDING ANY SUCH FACILITY MAINTAINED BY THE DEPOSITARY FOR THE RULE 144A GLOBAL DEPOSITARY RECEIPTS), OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SHARES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. EACH HOLDER, BY ITS

ACCEPTANCE OF THIS RULE 144A GLOBAL DEPOSITARY RECEIPT, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

- (4) Notwithstanding anything to the contrary in the foregoing, the Shares represented by the Rule 144A GDRs may not be deposited into any depositary receipt facility in respect of the Shares established or maintained by a depositary bank (including any such facility maintained by the Depositary for the Rule 144A GDRs), other than a Rule 144A restricted depositary receipt facility, so long as such Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act.

Prospective purchasers are hereby notified that sellers of the Rule 144A GDRs may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S GDRs

Each purchaser of Regulation S GDRs in the Offering, by its acceptance thereof, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

- (1) The purchaser (i) is, and the person, if any, for whose account it is acquiring the Regulation S GDRs is, outside the United States, (ii) is not an affiliate of the Company or a person acting on behalf of such an affiliate and (iii) is not in the business of buying or selling securities or, if it is in such business, it did not acquire the Regulation S GDRs or the Shares represented thereby from the Company or an affiliate thereof in the initial distribution of Regulation S GDRs.
- (2) The purchaser is aware that the Regulation S GDRs and the Shares represented thereby have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S.
- (3) If in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Regulation S GDRs or the Shares represented thereby, such Regulation S GDRs and Shares may be offered, sold, pledged or otherwise transferred only in accordance with the following legend, which the Regulation S GDRs will bear unless otherwise determined by the Company and the Depositary in accordance with applicable law:

THIS REGULATION S GLOBAL DEPOSITARY RECEIPT AND THE SHARES OF EFES BREWERIES INTERNATIONAL N.V. REPRESENTED HEREBY (THE “SHARES”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED PRIOR TO THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD (DEFINED AS 40 DAYS AFTER THE LATEST OF (I) THE COMMENCEMENT OF THE OFFERING OF GLOBAL DEPOSITARY RECEIPTS AND SHARES, (II) THE ORIGINAL ISSUE DATE OF THE GDRs, AND (III) THE ISSUE DATE WITH RESPECT TO THE ADDITIONAL GDRs, IF ANY, ISSUED IN RESPECT OF THE MANAGERS’ OVER-ALLOTMENT OPTION) EXCEPT (1) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (2) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (“QIB”) WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR TERRITORY OF THE UNITED STATES OR ANY OTHER JURISDICTION, PROVIDED THAT IN CONNECTION WITH ANY

TRANSFER UNDER (2) ABOVE, THE TRANSFEROR SHALL, PRIOR TO THE SETTLEMENT OF SUCH SALE, WITHDRAW THE SHARES IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE REGULATION S DEPOSIT AGREEMENT AND INSTRUCT THAT SUCH SHARES BE DELIVERED TO THE CUSTODIAN UNDER THE RULE 144A DEPOSIT AGREEMENT FOR DEPOSIT THEREUNDER AND ISSUANCE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS THEREOF, OF RULE 144A GLOBAL DEPOSITARY RECEIPTS TO OR FOR THE ACCOUNT OF SUCH QIB.

UPON THE EXPIRATION OF THE RESTRICTED PERIOD, THE GLOBAL DEPOSITARY RECEIPTS AND THE SHARES REPRESENTED THEREBY SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS ON TRANSFER PROVIDED IN THIS LEGEND IF, AT THE TIME OF SUCH EXPIRATION, THE OFFER AND SALE OF THE GLOBAL DEPOSITARY RECEIPTS EVIDENCED HEREBY AND THE SHARES REPRESENTED THEREBY BY THE HOLDER THEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES.

Selling Restrictions

Except to the extent indicated under “United Kingdom” below, no action has been taken or will be taken in any jurisdiction by the Managers or the Issuer that would permit a public offering of the Shares and GDRs, or possession or distribution of this document or any amendment or supplement thereto or any other offering or publicity material relating to the Shares or GDRs, in any country or jurisdiction where action for that purpose is required.

United States

The Shares and GDRs have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager has represented that it has offered or sold, and agrees that it will offer or sell, any Shares or GDRs representing such Shares, (i) as part of their distribution at any time and (ii) otherwise until 40 days after the latter of the commencement of the Offering and the Closing Date, only in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Shares or GDRs, and it and they have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act. Each Manager has agreed that, at or prior to the confirmation of the sale of Shares or GDRs, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Shares or GDRs from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the US Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (i) as part of their distribution at any time and (ii) otherwise until 40 days after the latter of the commencement of the offering or the closing date, in either case only in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act.”

Terms used in this Paragraph have the meaning given to them by Regulation S under the Securities Act.

The Netherlands

The Shares and GDRs are not, will not and may not be offered other than to:

- (a) persons who trade or invest in securities in the conduct of their profession or trade (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, other institutional investors and commercial enterprises which as an ancillary activity regularly invest in securities); and
- (b) persons who are established, domiciled or resident outside The Netherlands.

The offer of the Shares and GDRs, each announcement thereof and any offer document comply with the laws and regulations of each state where persons to whom the offer is made are established, domiciled or resident.

United Kingdom

The Managers have represented and agreed that (i) they have not offered or sold and, prior to application for listing of the GDRs being made in accordance with Part VI of the FSMA will not offer or sell, any GDRs in the United Kingdom or elsewhere by means of any document (except in circumstances which do not constitute an offer to the public), (ii) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the GDRs in, from or otherwise involving the United Kingdom, and (iii) they have only issued or passed on, and will only issue or pass on, in the United Kingdom any document received by them in connection with Admission of the GDRs other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part VI of the FSMA, to a person who is of a kind described in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) or is a person to whom the document may otherwise lawfully be issued or passed on.

Canada

Resale Restrictions

The offer and distribution of the Shares and GDRs in Canada is being made only on a private placement basis exempt from the requirement that the Company or the Selling Shareholders prepare and file a prospectus with the securities regulatory authorities in each province where trades of Shares or GDRs are made. Any resale of the Shares or GDRs in Canada must be made under applicable securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the Shares or GDRs.

Representation of Canadian Purchasers

By purchasing Shares or GDRs in Canada and accepting a purchase confirmation a purchaser is deemed to represent to the Company, the Selling Shareholders and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the Shares or GDRs without the benefit of a prospectus qualified under those securities laws,
- where required by law, that the purchaser is purchasing as principal and not as agent, and
- the purchaser has reviewed the text above under “— Resale Restrictions”.

Rights of Action — Ontario Purchasers Only

Under Ontario securities legislation, a purchaser who purchases a security offered by this document during the period of distribution will have a statutory right of action for damages, or while still the owner of

the Shares or GDRs, for rescission against the Company or the Selling Shareholders in the event that this document contains a misrepresentation. A purchaser will be deemed to have relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the Shares or GDRs. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the GDRs. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company or the Selling Shareholders. In no case will the amount recoverable in any action exceed the price at which the Shares or GDRs were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, the Company and the Selling Shareholders will have no liability. In the case of an action for damages, the Company and the Selling Shareholders will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the Shares or GDRs as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of the Company's and the Selling Shareholders' directors and officers and the experts named herein may be located outside Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Company, the Selling Shareholders or such persons. All or a substantial portion of the assets of the Company and the Selling Shareholders and such persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Company, the Selling Shareholders or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company, the Selling Shareholders or such persons outside of Canada.

Clearance and Settlement

Ownership of interests in GDRs evidenced by a Master GDR will be limited to DTC participants or persons who hold interests through DTC participants. Ownership of such interests will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC participants) and the records of DTC participants (with respect to interests of persons other than DTC participants). Transfers of GDRs will settle in same-day funds.

So long as DTC, or its nominee, is the registered owner or holder of a Master GDR, DTC or such nominee, as the case may be, will be considered the sole owner of the GDRs evidenced by such security for all purposes under the Deposit Agreement and the GDRs. In addition, no owner of an interest in the GDRs evidenced by a Master GDR will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Deposit Agreement, and, if applicable, those of Clearstream, Luxembourg and Euroclear).

Settlement for the GDRs will be made by the Managers in immediately available funds. So long as the GDRs are evidenced by Master GDRs registered in the name of DTC or its nominee, the GDRs will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in the GDRs will be required by DTC to settle in immediately available funds.

Transfers between DTC participants will be effected through DTC. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in GDRs evidenced by a Master GDR to such persons may be limited. Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in GDRs evidenced by a Master GDR to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interest may be limited. Transfers between account-holders in Clearstream, Luxembourg and Euroclear will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the GDRs described above, cross-market transfers between DTC participants, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear account-holders, on the other, will be effected through DTC in accordance with DTC rules on behalf of Clearstream, Luxembourg or Euroclear, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Clearstream, Luxembourg or Euroclear, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Clearstream, Luxembourg or Euroclear, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the GDRs, as the case may be, and making or receiving payment in accordance with normal procedures for settlement applicable to DTC. Clearstream, Luxembourg and Euroclear account-holders may not deliver instructions directly to the depositories for Clearstream, Luxembourg or Euroclear.

Because of time zone differences, the securities of a Clearstream, Luxembourg or Euroclear account-holder purchasing an interest in a security from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Clearstream, Luxembourg or Euroclear, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in such securities settled during such processing day will be reported to the relevant Clearstream, Luxembourg or Euroclear account-holder on such day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of interests in securities by or through a Clearstream, Luxembourg or Euroclear account-holder to a DTC participant will be received for value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in DTC.

DTC will take any action permitted to be taken by a holder of GDRs only at the direction of one or more DTC participants to whose account or accounts with DTC interests in the GDRs evidenced by the Master GDRs are credited and only in respect of such portion of the number of GDRs as to which such DTC participant or DTC participants has or have given such direction. However, in the limited circumstances described above under "Summary of Provisions Relating to the GDRs While In Master Form", DTC will exchange Master GDRs for individual definitive securities, which will be distributed to its participants. Holders of indirect interests in securities evidenced by the Master GDRs through DTC participants have no direct rights to enforce such interests while the securities are in global form. In the event that the GDRs are issued in definitive certificated form, the Company will appoint an agent and registrar in the United Kingdom.

DTC is a limited purpose trust company organised under New York Banking Law, a "banking organisation" within the meaning of New York Banking Law, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants and facilitates the settlement of securities transactions, such as transfers and pledges, between DTC participants through electronic computerised book-entry changes in DTC participants' accounts, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Access to the DTC system also is available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Euroclear and Clearstream, Luxembourg hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg interface with domestic securities markets. Euroclear and Clearstream, Luxembourg participants are financial institutions such as underwriters, securities brokers and dealers, banks' trust companies and certain other organisations and include certain of the Managers as defined herein. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that

clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Euroclear, as operator of the Euroclear System (the “Euroclear Operator”), holds securities on behalf of participants of the Euroclear System. All participants of the Euroclear System are banks, broker-dealers and other financial institutions. The Euroclear Operator has information about the positions held by the various participants; however, it has no knowledge of, or information on, the beneficial holders or owners of the securities in question.

Under general principles of Belgian banking secrecy, the Euroclear Operator may not disclose any information about a participant’s account or positions in such accounts without having first obtained such participant’s prior written authorisation. Participants of the Euroclear System would likely not authorise disclosure of such information.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate the transfer of interests in the Master GDRs among participants of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time. None of the Company, the Depositary, the Custodian or any of their agents will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective participants of their respective obligations under the rules and procedures governing their operations.

Settlement — Rule 144A GDRs

The Company and the Depositary will make application to DTC for acceptance of the Rule 144A GDRs in DTC’s book-entry settlement system. If the application is accepted, a single Master Rule 144A GDR will be issued to DTC and registered in the name of Cede & Co., as nominee of DTC, and may be held by the Depositary, as custodian for DTC. Thereafter, Cede & Co. will be the holder of record of all Rule 144A GDRs evidenced by such Master Rule 144A GDR. Accordingly, each person owning a beneficial interest in such Master Rule 144A GDR must rely upon the procedures of DTC and the institutions having accounts with DTC to exercise or be entitled to any rights arising in respect of a Rule 144A GDR. So long as any Rule 144A GDRs are held through DTC’s book-entry settlement system, or unless otherwise required by law, ownership of beneficial interests in such Master Rule 144A GDR will be shown on, and the transfer of that ownership will be effected only through, records maintained by (i) DTC or its nominee (with respect to participants’ interests) or (ii) institutions that have accounts with DTC.

If such application is not accepted, or if DTC ceases to make its book-entry settlement system available for the Rule 144A GDRs, the Company will consult with the Depositary regarding other arrangements for book-entry settlement.

Each Rule 144A GDR will be endorsed with a legend regarding certain restrictions on transfer in substantially the form set forth under “Transfer Restrictions — Rule 144A GDRs.”

Settlement — Regulation S GDRs

The Company and the Depositary will make application to DTC, Euroclear and Clearstream, Luxembourg for acceptance of the Regulation S GDRs in their respective book-entry settlement systems. If the applications are accepted, a single Master Regulation S GDR will be issued to DTC and registered in the name of Cede & Co., as nominee of DTC, and may be held by the Depositary, as custodian for DTC. Thereafter, Cede & Co. will be the holder of record of all Regulation S GDRs evidenced by such Master Regulation S GDR. Accordingly, each person owning a beneficial interest in such Master Regulation S GDR must rely upon the procedures of the institutions having accounts with DTC to exercise or be entitled to any rights arising in respect of a Regulation S GDR, including Euroclear and Clearstream, Luxembourg. Initial settlement of the Regulation S GDRs will take place through Euroclear and Clearstream, Luxembourg in accordance with customary settlement procedures in the Euromarket. Subject to compliance with the restrictions on transfer set forth under “Transfer Restrictions — Regulation S GDRs,” transfers within DTC,

Euroclear and Clearstream, Luxembourg will be permitted in accordance with customary rules and operating procedures of the relevant system. Cross-market transfers will be effected in DTC through the respective depositaries of Euroclear and Clearstream, Luxembourg. Because of time zone differences, credits of securities received in Euroclear or Clearstream, Luxembourg as a result of a transaction with a DTC participant will be made during the subsequent securities settlement processing date on the business day following the DTC settlement date and such credits or any transactions in such securities settled during such processing will be reported to the relevant Clearstream, Luxembourg or Euroclear participant on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of securities by or through a Clearstream, Luxembourg participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in DTC.

If such applications are not accepted or if DTC or, prior to the expiration of a period of 40 days following the latest of the closing of this Offering, the original issue date of the GDRs and the issue date of any additional GDRs issued in respect of the Managers' Over-allotment Option (the "Distribution Compliance Period"), Euroclear or Clearstream, Luxembourg ceases to make its book-entry settlement system available for the Regulation S GDRs, the Company will consult with the Depositary regarding other arrangements for book-entry settlement.

All Regulation S GDRs will be endorsed with a legend regarding certain restrictions on transfer in substantially the form set forth under "Transfer Restrictions — Regulation S GDRs."

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for the Company with respect to United States laws and the laws of England and Wales by Baker & McKenzie, London. Certain legal matters in connection with the Offering will be passed upon for the Managers with respect to United States laws and the laws of England and Wales by Freshfields Bruckhaus Deringer. Certain legal matters with respect to the validity of the Shares underlying the GDRs in the Offering will be passed upon for the Company by De Brauw Blackstone Westbroek N.V.

INDEPENDENT AUDITORS

The Annual Financial Statements and related notes as at and for the years ended 31 December 2002 and 2003 have been audited, and the Interim Financial Statements as at and for the six-month periods ended 30 June 2004 and 2003 have been reviewed, by Ernst & Young Accountants of Drentestraat 20, 1083 HK Amsterdam, P.O. Box 7883, 1008 AB Amsterdam, the Netherlands. The reports of Ernst & Young Accountants, which are without qualification or reference to a matter of fundamental uncertainty, have been included in this Offering Circular in the form and context in which they appear with the consent of Ernst & Young Accountants who have authorised the contents of that part of this Offering Circular for the purposes of Regulation 6(i)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.

OBTAINING INFORMATION ABOUT THE COMPANY

In accordance with Dutch law, the Company's accounts and the Articles are available from the trade register of the Chamber of Commerce in Amsterdam, The Netherlands. The Company also makes these documents available at its registered office located at 633 Strawinskylaan, 1077XX Amsterdam, The Netherlands. The Articles require the Company to make its annual accounts, annual report and auditors' report available to its shareholders at its registered office from the day on which notice of the annual shareholders' meeting is given until the close of the meeting. In addition, the Company must send these documents to registered shareholders at the same time as the notice convening the meeting. Holders of the certificated GDRs or bearer shares will not automatically be sent these documents. Each holder of certificated GDRs or bearer shares may, however, obtain a copy of these items, without charge, by presenting his or her certificated GDRs or bearer shares at the locations specified in the notice of meeting. Future EBI consolidated and statutory annual reports will be made available at the Company's head offices. Any interested party may, upon written request, obtain a copy of these items without charge. Some of these documents may also be obtained after the Closing on the Company's website at <http://www.efesholland.nl/>. Neither such document nor the information included on the Company's website forms part of this Offering Circular. The Company intends to develop a pro-active investor relations program for institutional as well as private investors.

The Company does not currently file reports under Section 13 or 15(d) of the Exchange Act. In addition, the Company does not furnish any information to the U.S. Securities and Exchange Commission (the "SEC") so as to qualify us for the exemption described in Rule 12g3-2(b) under the Exchange Act. Accordingly, as required by Rule 144A(d)(4) under the Securities Act, the Company will furnish specified information to any shareholder, holder of a beneficial interest in shares, or prospective purchaser designated by a shareholder or holder of a beneficial interest, who requests it from the Company in writing. If and when the Company is exempt under Rule 12g3-2(b) under the Exchange Act from filing requirements under Section 13 or 15(d) of the Exchange Act, the Company will no longer need to deliver this information.

The Annual Financial Statements and related notes as at and for the years ended 31 December 2002 and 2003 have been audited, and the Interim Financial Statements and related notes as at and for the six month periods ended 30 June 2004 and 2003 have been reviewed, by Ernst & Young Accountants of Drentestraat 20, 1083 HK Amsterdam, P.O. Box 7883, 1008 AB Amsterdam, The Netherlands. The Company's consolidated financial statements as of and for the year ended 31 December 2001, from which the consolidated balance sheet, statements of income, cash flow and changes in equity have been extracted and included in the Annual Financial Statements for such period, have been audited by Arthur Anderson Istanbul, which has ceased operations.

GENERAL INFORMATION

1. The Company was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of The Netherlands by notarial deed dated 2 October 1996 under the name of Efes (Moscow) Brewery Investments B.V. with B.V. number: 572.114. On 30 March 1998, the name of Efes (Moscow) Brewery Investments B.V. was changed to Efes Breweries International B.V. On 27 May 2003 Efes Breweries International B.V. was converted into a limited liability company (*naamloze vennootschap*). The Company's name was accordingly changed to Efes Breweries International N.V. The address of the Company is Strawinskylaan 633, 1077 XX, Amsterdam, The Netherlands. The Company is registered in the commercial register of the Chamber of Commerce and Industry for Amsterdam under the number 33284696.

Pursuant to Article 2 of the Articles of Association, the objects of the Company are:

- to participate in the capital and administration of a company or companies to be incorporated in Central Europe, Eastern Europe, the Russian Federation, other states of the Commonwealth of Independent States or elsewhere and to engage in the production, sale and distribution of alcoholic beverages and non-alcoholic beverages, water, barley, malt, yeast, their secondary products, and packaging materials;
- to acquire or dispose of securities and negotiable instruments, provided that the Company shall not act as a broker or other financial services intermediary;
- to participate in corporate actions by, or corporate reorganisations of, investee companies, including capital increases by such companies or the issuance of bonds or other negotiable instruments by such companies;
- to undertake the management and administration of any investee companies, individual ventures or joint ventures (each a "Venture") which the Company may, from time to time, participate in, form or administer, or with which the Company may be affiliated, to prepare feasibility studies in respect of Ventures, or to assist in the undertaking of fixed investments by, or to assist in locating sources of finance for, such Ventures;
- to provide, on such terms as the Company may determine, consulting services to Ventures with respect to financial, legal or operational matters;
- to acquire, use, sell, hire or transfer intangible rights such as patents, trade marks, service marks, licenses, privileges, industrial models and designs, copyrights and trade names, or to act as licensor or licensee in relation to such rights, or to register or de-register, as the case may be, such rights with the related registries or similar agencies;
- to purchase, hire, lease or dispose of movable or immovable property, including but not limited to machinery and equipment for use in breweries and malteries, or to acquire any real or personal rights in such property, including, but not limited to, the pledge or mortgage of real property or the mortgage of commercial enterprises, or to establish such rights over the movables and immovables of the Company for the benefit of others, to register these rights in the land registry or any other related registry, to establish and register such rights, including the pledge or mortgage of real property and the mortgage of commercial enterprises in the name of third parties, to act as attorney-in-fact in connection with the creation of pledges and mortgages over property of or in favour of third parties, to act as assignee of pledges or mortgages from third parties or to transfer pledges and mortgages to third parties, to release any pledge or mortgage which may have been created in the name of the Company and to give surety, including the mortgage of real property or the mortgage of commercial enterprises, with respect to any of the movable or immovable assets of the Company, and to register or de-register, as the case may be, such encumbrances in or from registries;

- to borrow money with or without security in order to give effect to the scope and objectives of the Company;
 - to give management support service to its subsidiaries and affiliated companies; and
 - all activities that are incidental to or which may be conducive to any of the foregoing.
2. On 28 September 2004, the Board of Management resolved among other things to enter into the Underwriting Agreement, the Deposit Agreement and the Deed Poll and to list the GDRs on the London Stock Exchange.

On 11 October 2004, the Supervisory Board resolved, among other things, to issue new ordinary shares and to exclude the pre-emptive rights of the existing holders of the ordinary shares with respect to the issuance of the new ordinary shares, to appoint a pricing committee (the "Pricing Committee") and to delegate to the Pricing Committee the power to resolve, among other things, on the issue price for the rights to subscribe for the new ordinary shares, and to approve the resolution of 28 September 2004 of the Board of Management.

On 14 October 2004, the Pricing Committee resolved, among other things, on the preliminary maximum number of ordinary shares to be issued and the preliminary minimum issue price per new share. On pricing, the Pricing Committee will, on behalf of the Supervisory Board, resolve the exact number of ordinary shares to be issued, and the Offer Price.

All consents, approval, authorisations or other orders required for the issue of the Shares and the GDRs under the prevailing laws of The Netherlands have been given or obtained.

3. It is expected that listing of the GDRs will take place on 21 October 2004 subject only to the issue of the Master GDRs. Prior to listing, it is expected that conditional dealings will be permitted by the London Stock Exchange in accordance with its rules. It is expected that unconditional dealings in the GDRs will commence on or about 21 October 2004. Transactions will normally be effected for settlement in U.S. dollars and for delivery on the third working day after the day of the transaction. Listing of the GDRs on the London Stock Exchange is conditional upon the issuance of the GDRs by the Depositary.
4. Except as disclosed herein, there has been no significant change in the financial or trading position of the Company or EBI since 30 June 2004, and no material adverse change in the financial position or prospects of the Company or EBI since 31 December 2003.
5. Neither the Company nor EBI is involved in any legal proceeding or arbitration proceedings that may have or have had since 1 January 2003 a significant effect on the financial position of the Company or EBI; the Company is not aware that any such proceedings are pending or threatened.
6. In the event that certificates in definitive form are issued in respect of the GDRs, the Company will appoint an agent in the United Kingdom for so long as the GDRs are listed on the London Stock Exchange.
7. Copies in English of the following documents may be inspected at the offices of Baker & McKenzie, 100 New Bridge Street, London EC4, during usual business hours on any weekday (Saturday, Sunday and public holidays excepted) for 14 days from the date of this Offering Circular:
- (a) the Company's Articles in effect upon completion of the Global Offering;
 - (b) the Annual Financial Statements audited in accordance with IFRS for the two years ended 31 December 2002 and 2003, together with the report of Ernst & Young Accountants contained therein;
 - (c) the Interim Financial Statements reviewed in accordance with IFRS for the six month periods ended 30 June 2003 and 2004, together with the report of Ernst & Young Accountants contained therein;
 - (d) the Deposit Agreement;
 - (e) the Deed Poll; and
 - (f) the Underwriting Agreement.

8. The Company has taken appropriate measures to comply with the regulations on insider trading pursuant to the Dutch Securities Act.
9. There are no temporary documents of title issued in respect of the GDRs. There is no premium and there are no expenses specifically charged to any purchaser of GDRs in the Offering.
10. The location, size and tenure of the Operating Companies' principal establishments are as follows:

- Efes Russia: Efes Russia operates a brewery in each of Moscow, Rostov and Ufa. The annual capacity is 4.5 million hectolitres at the Moscow brewery, 1.0 million hectolitres at the Rostov brewery and 1.2 million hectolitres at the Ufa brewery.

The Moscow brewery occupies a total area of approximately 127,000 square metres under a 49-year lease, including a closed production area of approximately 25,000 square metres and a warehousing area of approximately 56,000 square metres. Average capacity utilisation for the year ended 31 December 2003 was 86.5%.

The facilities in Rostov, which were formerly operated as a Coca-Cola franchise in the region, have been leased since March 2002 by Efes Russia from Rostov Beverage, a subsidiary of Efes Invest, which is a sister company of EBI under Anadolu Efes and were converted by Efes Russia into a brewery with a capacity of 1.0 million hectolitres. Efes Russia pays an annual rent of US\$1.25 million to Rostov Beverage to lease the manufacturing premises and its related equipment for six years. The current installed capacity of the brewery is approximately 1.0 million hectolitres per year, and the plant occupies a total area of approximately 67,845 square metres, including a closed production area of approximately 13,692 square metres and a warehousing area of approximately 9,150 square metres. Average capacity utilisation was 38.8% for the period between June (when production commenced) and December 2003.

Efes Russia acquired the brewery in Ufa in August 2003. The current installed capacity of the brewery is approximately 1.2 million hectolitres per year, and the plant occupies a total area of 75,720 square metres under a 49-year lease, including a closed production area of approximately 37,107 square metres and a warehousing area of approximately 5,000 square metres. For the period from August 2003, when EBI acquired the Ufa brewery, to December 2003, average capacity utilisation was 76.7%.

- Efes Moldova: Efes Moldova owns and operates one brewery in Chisinau. The installed capacity of the brewery is 0.8 million hectolitres per year and the plant occupies a total area of 74,440 square metres in land owned by Efes Moldova. Average capacity utilisation was 71.8% for the year ended 31 December 2003.
- Efes Kazakhstan: Efes Kazakhstan owns and operates a brewery in each of Karaganda and Almaty.

The installed capacity of the Karaganda brewery is 0.4 million hectolitres per year and the plant occupies a total area of approximately 45,000 square metres, including a closed production area of approximately 30,000 square metres. Average capacity utilisation was 88.0% for the year ended 31 December 2003.

Efes Kazakhstan also has an in-house malting facility with an annual capacity of approximately 6,500 tonnes.

The Almaty brewery has installed capacity of 0.6 million hectolitres per year and the plant occupies a total area of 150,000 square metres, including 16,846 square metres of closed production area. Average capacity utilisation was 47.0% in the period from September (when production began) to December 2003.

- Interbrew Efes Romania: Interbrew Efes Romania owns one brewery in Ploiesti near Bucharest. The brewery was constructed between January 1997 and December 1998, on land leased from the Ploiesti Municipality under a 49-year lease. The installed capacity of the brewery is approximately

1.5 million hectolitres per year, and the plant occupies a total area of approximately 120,000 square metres. Average capacity utilisation was 72.3% for the year ended 31 December 2003.

- Efes Serbia: Efes Serbia operates one brewery near Belgrade with an annual capacity of 0.4 million hectolitres. The installed capacity of the brewery is approximately 0.4 million hectolitres per year, and the plant occupies a total area of 34,459 square metres. Average capacity utilisation was 37.4% for the year ended 31 December 2003.

**Efes Breweries International N.V.
and its Subsidiaries**

INDEX TO FINANCIAL STATEMENTS

| | <u>Page</u> |
|--|-------------|
| For the Six-Months Ended 30 June 2003 and 2004 | |
| Independent Auditors' Review Report | F-2 |
| Consolidated Interim Balance Sheet As At 30 June 2004 | F-3 |
| Consolidated Interim Income Statement For the Six Months Ended 30 June 2003 and 2004 | F-4 |
| Consolidated Interim Statement of Changes in Equity For the Six Months Ended 30 June 2003 and 2004 | F-5 |
| Consolidated Interim Cash Flow Statement For the Six Months Ended 30 June 2003 and 2004 | F-6 |
| Notes to the Interim Financial Statements | F-7 |
| For the Years Ended 31 December 2001, 2002 and 2003 | |
| Independent Auditors' Reports | F-15 |
| Consolidated Balance Sheet As At 31 December 2001, 2002 and 2003 | F-16 |
| Consolidated Income Statement For the Years Ended 31 December 2001, 2002 and 2003 | F-17 |
| Consolidated Statement of Changes in Equity For the Years Ended 31 December 2001, 2002 and 2003 | F-18 |
| Consolidated Cash Flow Statement For the Years Ended 31 December 2001, 2002 and 2003 | F-19 |
| Notes to the Annual Financial Statements | F-20 |



■ Ernst & Young Accountants

■ Drentestraat 20
1083 HK Amsterdam
P.O. Box 7883
1008 AB Amsterdam
The Netherlands
Telephone 31-20-549 72 22
Fax 31-20-646 25 53
www.ey.nl

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors of
Efes Breweries International N.V.
Amsterdam

Introduction

We have reviewed the accompanying consolidated interim balance sheet of Efes Breweries International N.V. (the Company) and its subsidiaries as of June 30, 2004 and the related consolidated interim cash flow statement and the selected note thereto for the six-month period then ended (together consolidated interim financial statements). These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

Scope

We conducted our review in accordance with the International Standards on Auditing applicable to review engagements. These standards require that we plan and perform the review to obtain moderate assurance about whether the consolidated interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

Amsterdam, August 20, 2004

Ernst & Young Accountants

■ Ernst & Young Accountants is a partnership of private limited liability companies ('professional corporations'), established in Rotterdam.
Our services are subject to general terms and conditions, which contain a limitation of liability clause.

Efes Breweries International N.V. and its Subsidiaries

CONSOLIDATED INTERIM BALANCE SHEET

As at June 30, 2004

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

| | Notes | June 30, 2004 (unaudited) | December 31, 2003 (audited) |
|---|-------|------------------------------|--------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 31,282 | 32,677 |
| Trade and other receivables | | 26,032 | 17,700 |
| Due from related parties | 9 | 3,693 | 4,616 |
| Inventories | | 43,084 | 37,798 |
| Prepayments and other current assets | | 20,446 | 15,351 |
| Total current assets | | 124,537 | 108,142 |
| Non-current assets | | | |
| Investments in securities | 6 | 1,756 | 1,754 |
| Property, plant and equipment | 7 | 286,643 | 267,639 |
| Intangible assets | 8 | 64,215 | 65,266 |
| Deferred tax assets | | 3,795 | 3,361 |
| Prepayments and other non-current assets | | 2,300 | 2,442 |
| Total non-current assets | | 358,709 | 340,462 |
| Total assets | | 483,246 | 448,604 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Trade and other payables | | 46,087 | 30,890 |
| Due to related parties | 9 | 16,124 | 13,751 |
| Income tax payable | | 2,572 | 491 |
| Short-term borrowings | 10 | 29,991 | 32,769 |
| Current portion of long-term borrowings | 10 | 16,415 | 12,960 |
| Total current liabilities | | 111,189 | 90,861 |
| Non-current liabilities | | | |
| Long-term borrowings-net of current portion | 10 | 62,105 | 71,534 |
| Deferred tax liability | | 10,783 | 12,087 |
| Other non-current liabilities | | 4,539 | 1,277 |
| Total non-current liabilities | | 77,427 | 84,898 |
| Minority interest | | 60,518 | 53,781 |
| Equity | | | |
| Issued capital | 4 | 124,630 | 124,630 |
| Share premium | | 21,567 | 21,567 |
| Currency translation reserve | | 19,411 | 16,537 |
| Legal reserves and accumulated profit | | 68,504 | 56,330 |
| Total equity | | 234,112 | 219,064 |
| Total liabilities and equity | | 483,246 | 448,604 |

The accompanying policies and explanatory notes on pages F-7 through F-14 form an integral part of these consolidated interim financial statements.

Efes Breweries International N.V. and its Subsidiaries
CONSOLIDATED INTERIM INCOME STATEMENT
For the six-month periods ended June 30, 2004 and 2003

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

| | <u>Notes</u> | Six month period ended June 30, 2004 (unaudited) | Six month period ended June 30, 2003 (unaudited) |
|--|--------------|---|---|
| Sales | | 184,425 | 106,236 |
| Cost of sales | | (95,363) | (53,955) |
| Gross profit | | 89,062 | 52,281 |
| Selling and marketing expenses | | (42,468) | (24,371) |
| General and administrative expenses | | (22,120) | (14,252) |
| Profit from operations | | 24,474 | 13,658 |
| Financial (expense)/income | | (1,439) | 575 |
| Other (expense)/income | | (2,446) | 727 |
| Profit before tax | | 20,589 | 14,960 |
| Income tax | | (5,438) | (1,310) |
| Profit after tax | | 15,151 | 13,650 |
| Minority interest | | (2,977) | (832) |
| Net profit | | 12,174 | 12,818 |
| Earnings per share (based on a par value of €100 per share) (in full amounts of U.S. Dollars) | | | |
| Basic | | 10.0 | 10.6 |
| Diluted | | 10.0 | 10.6 |

The accompanying policies and explanatory notes on pages F-7 through F-14 form an integral part
of these consolidated interim financial statements.

Efes Breweries International N.V. and its Subsidiaries
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six-month periods ended June 30, 2004 and 2003

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

| | Share Capital | Share Premium | Currency Translation Reserve | Legal Reserves and Accumulated Profit | Total |
|--|------------------|------------------|------------------------------------|---|----------------|
| Balance at January 1, 2003 | 121,641 | 18,671 | 8,581 | 3,204 | 152,097 |
| Issue of share capital | 2,989 | 2,896 | — | — | 5,885 |
| Currency translation reserve | - | — | 6,303 | — | 6,303 |
| Net profit for the six-month period ended June 30, 2003 | — | — | — | 12,818 | 12,818 |
| Balance at June 30, 2003 (unaudited) | <u>124,630</u> | <u>21,567</u> | <u>14,884</u> | <u>16,022</u> | <u>177,103</u> |
| Balance at January 1, 2004 | 124,630 | 21,567 | 16,537 | 56,330 | 219,064 |
| Currency translation reserve | — | — | 2,874 | — | 2,874 |
| Net profit for the six-month period ended June 30, 2004 | — | — | — | 12,174 | 12,174 |
| Balance at June 30, 2004 (unaudited) | <u>124,630</u> | <u>21,567</u> | <u>19,411</u> | <u>68,504</u> | <u>234,112</u> |

The accompanying policies and explanatory notes on pages F-7 through F-14 form an integral part of these consolidated interim financial statements.

Efes Breweries International N.V. and its Subsidiaries
CONSOLIDATED INTERIM CASH FLOW STATEMENT
As at June 30, 2004 and 2003

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

| | Six-month period ended June 30, 2004 (unaudited) | Six-month period ended June 30, 2003 (unaudited) |
|---|--|--|
| Cash flows from operating activities | | |
| Net profit before minority interest and income tax | 20,589 | 14,960 |
| <i>Adjustments to reconcile net income to net cash provided by operating activities</i> | | |
| Gain on sale of subsidiaries and investment in securities | (470) | (384) |
| Depreciation and amortisation | 16,341 | 9,832 |
| Provision for bad debt | 245 | 98 |
| Provision for inventories | 773 | 330 |
| Income recognised from reversal of provision for bad debt | (138) | — |
| Income recognised from reversal of provision for inventories | (86) | (17) |
| Impairment in property, plant and equipment | 3,006 | — |
| Foreign exchange gain on loans | (31) | — |
| Loss from disposal of property, plant and equipment | 94 | 85 |
| Reserve for vacation pay liability | 197 | 88 |
| Other non-cash expenses | 16 | 85 |
| Interest expense | 3,078 | 2,581 |
| Interest income | (89) | (158) |
| Net income adjusted for non-cash items | 43,525 | 27,500 |
| (Increase)/decrease in inventories | (5,974) | (3,876) |
| (Increase)/decrease in trade receivables | (8,439) | (10,913) |
| Decrease/(increase) in due from related parties | 923 | (700) |
| Increase/(decrease) in trade and other payables | 14,131 | 7,399 |
| Increase/(decrease) in due to related parties | 2,373 | 5,825 |
| (Increase)/decrease in other current assets | (5,049) | 1,312 |
| Decrease/(increase) in other non-current assets | 142 | (223) |
| Increase/(decrease) in other non-current liabilities | 3,262 | (69) |
| Taxes paid | (5,306) | (1,873) |
| Interest received | 45 | 54 |
| Interest paid | (3,348) | (2,718) |
| Net cash provided by operating activities | 36,285 | 21,718 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment and intangible assets | (32,774) | (27,584) |
| Proceeds from sale of property, plant and equipment | 639 | 1,945 |
| Proceeds from the sale of investment in securities | — | 1,938 |
| Acquisition of subsidiary, net of cash acquired | (323) | (12,025) |
| Capital increase at subsidiaries by minority shareholders | 4,836 | — |
| Net cash used in investing activities | (27,622) | (35,726) |
| Cash flows from financing activities | | |
| Net (decrease)/increase in short-term debt | (2,136) | 4,641 |
| Proceeds from long-term debt | 154 | 4,836 |
| Repayment of long-term debt | (6,486) | (4,064) |
| Proceeds from issuance of share capital | — | 2,989 |
| Increase in share premium | — | 2,896 |
| Net cash provided by financing activities | (8,468) | 11,298 |
| Currency translation differences | (1,590) | (287) |
| Net increase in cash and cash equivalents | (1,395) | (2,997) |
| Cash and cash equivalents at beginning of year | 32,677 | 38,974 |
| Cash and cash equivalents at end of period | 31,282 | 35,977 |

The accompanying policies and explanatory notes on pages F-7 through F-14 form an integral part of these consolidated interim financial statements.

Efes Breweries International N.V. and its Subsidiaries
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period ended June 30, 2004
(Currency — In 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 of the Company is located at Strawinskylaan 633, 1077XX Amsterdam, The Netherlands.

In June 2003, the articles of association were changed and the Company transformed its legal status from a B.V. into a N.V.

The parent of the Company is Anadolu Efes Biracilik 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 unaudited consolidated interim 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 June 30, 2004 and December 31, 2003 were as follows:

| | Place of Incorporation | Principal Activities | Effective Shareholding and voting rights % | |
|--|------------------------|---|--|-------------------|
| | | | June 30, 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 | Production and marketing of beer | 62.85 | 62.85 |
| 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 |

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

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

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

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six-month period ended June 30, 2004

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

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 that 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

In preparation of the consolidated interim financial statements of the Company, the same accounting policies and methods of computation were followed in the unaudited consolidated interim financial statements as compared to the most recent annual financial statements. The consolidated interim financial statements have been prepared in compliance with IAS 34.

3. CHANGES IN GROUP'S ORGANISATION

In April 2004, the Company entered into an agreement to acquire 13% 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 9,860 where the cash contributions of the Company and the minority shareholders were USD 5,024 and USD 4,836, respectively.

As a result of these 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 sales of participation of USD 470 in the consolidated income statement.

4. SHARE CAPITAL

| | June 30, 2004 | December 31, 2003 |
|--|------------------|-------------------|
| | Number of shares | Number of shares |
| Common shares, 100 EUR, par value | | |
| Authorised | 1,361,400 | 1,361,400 |
| Issued and outstanding | 1,223,238 | 1,223,238 |

Movements in share capital

The movement of the share capital of the Company during the six-month period ended June 30, 2004 and the year ended 2003 was as follows:

| | June 30, 2004 | | December 31, 2003 | |
|---------------------|------------------|---------|-------------------|---------|
| | Number of shares | USD | Number of shares | USD |
| Opening | 1,223,238 | 124,630 | 1,195,103 | 121,641 |
| Shares issued | — | — | 28,135 | 2,989 |
| Closing | 1,223,238 | 124,630 | 1,223,238 | 124,630 |

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six-month period ended June 30, 2004

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

4. SHARE CAPITAL (Continued)

As at June 30, 2004, the composition of shareholders and their respective % of ownership can be summarised as follows:

| | June 30, 2004 | December 31, 2003 |
|---|------------------|----------------------|
| Anadolu Efes | 84.96% | 84.96% |
| International corporate investors | 15.04% | 15.04% |
| Total | <u>100.00%</u> | <u>100.00%</u> |

5. COMMITMENTS AND CONTINGENCIES

Obligation to complete the production facilities

In relation to financing the new brewery constructed by Efes Karaganda in Almaty and for the acquisition of Amstar by Efes Moscow, the related subsidiaries have obtained loans from the EBRD. The Company has committed to support the completion of the related projects together with Anadolu Efes. The referred commitment of USD 17 million is not related to reimbursement of the related loans, but to completion of the projects.

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.

In July 2004, the Company and the minority shareholders' of Efes Ukraine entered into negotiations with prospective buyers related with the sale of all shares of Efes Ukraine. Consequently, the put option which has been granted to Invesco Funds by the Company will be terminated when the transfer of the shares to the buyers is completed. (Refer to Note 12)

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 the higher of an independent valuation and a price to be determined by EBRD in order to give EBRD a rate of return on its investment in Efes Moscow shares equal to six months US Interbank rate plus a margin of 410 basis points per annum cumulative and compounded every six months, calculated from the date respective subscription monies were paid less any dividends or bonus shares paid to EBRD.

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 the higher of the value of an independent valuation and a calculation based on eight times EBITDA minus Net Indebtedness per share. EBITDA means operating profit plus depreciation and amortisation plus non cash expense items up to operating profit plus other income other than extraordinary income items minus non cash income items up to operating profit minus other expenses other than extraordinary expense items. Net

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six-month period ended June 30, 2004

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

5. COMMITMENTS AND CONTINGENCIES (Continued)

Indebtedness means long and short term borrowing plus payables to fixed asset suppliers plus payables to shareholders plus advances taken plus contractual contingent liabilities minus cash minus marketable securities minus advances paid. In this context, EBITDA and Net Indebtedness are to be derived from the consolidated financial statements of Efes Moscow for the 12-month period ended on (i) 31 December of any given year in case the put option is notified between 1 January and 30 June of the following year or (ii) 30 June of any given year in case the put option is notified between 30 June and 31 December of that year.

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.

6. INVESTMENTS IN SECURITIES

| | June 30, 2004 | December 31, 2003 |
|--|------------------|----------------------|
| ZAO Mutena Maltery (Mutena Maltery) | 1,511 | 1,511 |
| Others | 245 | 243 |
| Total available-for-sale investments — non-current | <u>1,756</u> | <u>1,754</u> |

Available-for-sale investments

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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six-month period ended June 30, 2004

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

7. PROPERTY, PLANT AND EQUIPMENT

For the six-month period ended June 30, 2004, additions and disposals of property, plant and equipment were as follows:

| | <u>Additions</u> | <u>Disposals, Net</u> | <u>Transfers</u> |
|--------------------------------|----------------------|---------------------------|------------------|
| Land | — | (263) | — |
| Buildings | 8 | (176) | 1,353 |
| Infrastructure | — | (181) | 274 |
| Machinery and equipment | 1,721 | (465) | 14,050 |
| Motor vehicles | 549 | (615) | 724 |
| Other tangible assets | 877 | (300) | 350 |
| Construction in progress | 29,091 | (74) | (16,751) |
| | <u>32,246</u> | <u>(2,074)</u> | <u>—</u> |

1) Borrowing costs

Borrowing costs capitalised as property, plant and equipment amounted to USD 20 for the six-month period ended June 30, 2004.

2) Impairment losses

For the six-month period ended June 30, 2004, an impairment loss of USD 3,006 was recognised.

Subsequently, in July 2004, the Company and the minority shareholders of Efes Ukraine entered into negotiations with prospective buyers related with the sale of all shares of Efes Ukraine. Considering the price range on the negotiations and the operational expenses to be incurred by Efes Ukraine until the transfer of shares is effected, a loss on sale of participation of USD 2,810 is estimated. Consequently, the recoverable amount is estimated to be USD 2,810 lower and has been recognised as an impairment of property, plant and equipment. (Refer to Note 12)

3) Pledge on tangible assets

Refer to Note 10 for pledge on tangible assets.

8. INTANGIBLE ASSETS

For the six-month period ended June 30, 2004, additions to intangible assets were as follows:

| | <u>Additions</u> |
|-------------------------------|------------------|
| Other intangible assets | 548 |

Efes Breweries International N.V. and its Subsidiaries**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)****For the six-month period ended June 30, 2004****(Currency — In thousands of U.S. Dollars unless otherwise indicated)****9. RELATED PARTY BALANCES AND TRANSACTIONS**

For the purposes of the unaudited consolidated interim financial statements, the major shareholder of the Company and its associates and the companies, which are identified to be controlled by/associated with it, are referred to as related parties.

1) Balances with Related Parties

Balances with related parties are separately classified in the unaudited consolidated interim balance sheet.

2) Transactions with Related Parties

The most significant transactions with related parties for the six-month period ended June 30, 2004 were as follows:

- Management and license fee expense to Efes Holland (2) amounted to USD 3,016.
- Interest expense to Coca-Cola Rostov (2) amounted to USD 219.
- Sale of beer to Coca-Cola Almaty (2) amounted to USD 4,465.
- Sale of beer to Coca-Cola Bishkek (2) amounted to USD 540.
- Interest expense on loan from Anadolu Efes (1) amounted to USD 43.
- Processing services from Mutena Maltery (3) amounted to USD 1,411.
- Purchase of materials from Oyex Handels Gbmh (2) amounted to USD 637.
- Purchase of soda drinks from Coca-Cola Almaty (2) amounted to USD 1,315.
- Purchase of bottles from Coca-Cola Bishkek (2) for USD 25.
- Purchase of beer from Anadolu Efes (1) amounted to USD 218.
- Management fee income from Efes Holland (2) amounted to USD 632.

(1) The ultimate shareholder of the Company

(2) Related party of Anadolu Efes

(3) Company's investment

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six-month period ended June 30, 2004

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

10. BORROWINGS

For the six-month period ended June 30, 2004, issuance, repurchases and repayments of borrowings were as follows:

| | <u>Short-Term</u> | <u>Long-Term</u> |
|---|-------------------|------------------|
| Balance as of December 31, 2003 | 32,769 | 84,494 |
| Proceeds | 31,098 | 154 |
| Interest capitalised | 5 | 15 |
| Interest expense | 662 | 2,416 |
| Repayments | (34,549) | (8,522) |
| Currency translation differences | 6 | (37) |
| Total | <u>29,991</u> | <u>78,520</u> |
| Less: current portion | <u> </u> | <u>(16,415)</u> |
| Long-term debt net-of current portion | <u> </u> | <u>62,105</u> |

As of June 30, 2004, USD 98,474 (December 31, 2003 — USD 99,981) of the total borrowings were secured with the following:

- Certain fixed assets of the Group amounting to USD 7,302.
- Property of Mutena Maltery, which is one of the Company's investments, amounting to USD 4,134.
- Cash collateral amounting to USD 5,378.
- Inventory of the Group amounting to USD 1,356.
- Efes Moscow's and Efes Karaganda's immovable and movable properties, including inventory balances; the assignment of the rights regarding insurance coverage in respect of the Efes Moscow's and Efes Karaganda's property.
- 43% of Efes Moscow's shares and all shares of Efes Karaganda held by the Company.
- The ability of Efes Moscow and Efes Karaganda to declare dividends is subject to prior consent of EBRD under the provisions of the loan agreements.
- A letter of guarantee amounting to USD 20,000 provided by Anadolu Efes.
- Corporate guarantee amounting to USD 16,878 provided by the Company.

11. FINANCIAL INSTRUMENTS*Financial Risk Management**Credit risk*

The Group has no significant concentration of credit risk with any single counterparty or group of counter parties.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six-month period ended June 30, 2004

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

11. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Group mainly enters into LIBOR based contracts in its financial borrowings. As of June 30, 2004, 10% of the Group's long-term debt was at fixed rates (December 31, 2003 — 10%).

The weighted average effective interest rates which were calculated from different types of currencies, as at June 30, 2004 are as follows:

| | |
|--------------------------------|------|
| Fixed rate bank loans | 8.8% |
| Floating rate bank loans | 3.1% |
| 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. A significant part of cash outflows related to financing activities as well as some part of accounts payables 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 June 30, 2004 was approximately USD 96,000 (December 31, 2003 — USD 85,000).

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.

12. SUBSEQUENT EVENTS

Sale of Shares of Efes Ukraine

In July 2004, the Company and the minority shareholders of Efes Ukraine entered into negotiations with prospective buyers related with the sale of all shares of Efes Ukraine. Consequently, the put option which has been granted to Invesco Funds by the Company will be terminated when the transfer of the shares to the buyers is completed.



■ Ernst & Young Accountants

■ Drentestraat 20
1083 HK Amsterdam
P.O. Box 7883
1008 AB Amsterdam
The Netherlands
Telephone 31-20-549 72 22
Fax 31-20-646 25 53
www.ey.nl

INDEPENDENT AUDITORS' REPORT

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

Introduction

We have audited the consolidated financial statements of Efes Breweries International N.V. and subsidiaries (the Company) for the years ended December 31, 2003 and 2002 which comprise the consolidated balance sheets, consolidated income statements, consolidated cash flow statements, consolidated changes in equity and the related notes 1 to 29. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated balance sheet and the related consolidated statements of income, cash flows, and changes in equity for the year ended December 31, 2001, were audited by other auditors who have ceased operations and whose report dated April 15, 2002, expressed an unqualified opinion on those statements.

Scope

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 financial statements give a true and fair view of the financial position of the company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Amsterdam, March 30, 2004

Ernst & Young Accountants

■ Ernst & Young Accountants is a partnership of private limited liability companies ('professional corporations'), established in Rotterdam.
Our services are subject to general terms and conditions, which contain a limitation of liability clause.

Efes Breweries International N.V. and its Subsidiaries

CONSOLIDATED BALANCE SHEET

As at December 31, 2003, 2002 and 2001

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

| | Notes | 2003 | 2002 | 2001 |
|---|-------|----------------|----------------|----------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 4 | 32,677 | 38,974 | 24,392 |
| Trade and other receivables | 5 | 17,700 | 10,026 | 5,542 |
| Due from related parties | 28 | 4,616 | 4,995 | 2,815 |
| Inventories | 6 | 37,798 | 17,410 | 15,130 |
| Prepayments and other current assets | 7 | 15,351 | 13,240 | 7,167 |
| Total current assets | | 108,142 | 84,645 | 55,046 |
| Non-current assets | | | | |
| Investments in securities | 10 | 1,754 | 3,064 | 3,064 |
| Property, plant and equipment | 8 | 267,639 | 190,039 | 130,535 |
| Intangible assets | 9 | 65,266 | 3,555 | 2,390 |
| Deferred tax assets | 24 | 3,361 | — | — |
| Prepayments and other non-current assets | | 2,442 | 1,701 | 967 |
| Total non-current assets | | 340,462 | 198,359 | 136,956 |
| Total assets | | 448,604 | 283,004 | 192,002 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities | | | | |
| Trade and other payables | 11 | 30,890 | 16,134 | 12,862 |
| Due to related parties | 28 | 13,751 | 7,393 | 5,420 |
| Income tax payable | | 491 | — | 1,530 |
| Short-term borrowings | 12 | 32,769 | 23,245 | 16,280 |
| Current portion of long-term borrowings | 12 | 12,960 | 10,950 | 11,531 |
| Total current liabilities | | 90,861 | 57,722 | 47,623 |
| Non-current liabilities | | | | |
| Long-term borrowings — net of current portion | 12 | 71,534 | 36,718 | 30,420 |
| Deferred tax liability | 24 | 12,087 | 9,040 | 4,096 |
| Other non-current liabilities | | 1,277 | 1,667 | 1,911 |
| Total non-current liabilities | | 84,898 | 47,425 | 36,427 |
| Minority interest | | 53,781 | 25,760 | 19,545 |
| Equity | | | | |
| Issued capital | 13 | 124,630 | 121,641 | 95,936 |
| Share premium | 13 | 21,567 | 18,671 | — |
| Currency translation reserve | | 16,537 | 8,581 | 2,661 |
| Legal reserves and accumulated profit/(deficit) | | 56,330 | 3,204 | (10,190) |
| Total equity | | 219,064 | 152,097 | 88,407 |
| Total liabilities and equity | | 448,604 | 283,004 | 192,002 |

The accompanying policies and explanatory notes on pages F-20 through F-53 form an integral part of these financial statements.

Efes Breweries International N.V. and its Subsidiaries

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2003, 2002 and 2001

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

| | Notes | 2003 | 2002 | 2001 |
|---|-------|----------------------|---------------|---------------|
| Sales | | 264,119 | 160,110 | 102,620 |
| Cost of sales | 15 | (136,322) | (84,290) | (57,841) |
| Gross profit | | 127,797 | 75,820 | 44,779 |
| Selling and marketing expenses | 16 | (59,052) | (32,392) | (14,781) |
| General and administrative expenses | 17 | (32,880) | (21,638) | (17,654) |
| Profit from operations | | 35,865 | 21,790 | 12,344 |
| Financial expense | 20 | (1,268) | (4,026) | (9,483) |
| Other income/(expense) | 21 | 29,342 | (441) | 795 |
| Gain on net monetary position | 22 | — | 5,804 | 6,342 |
| Profit before tax | | 63,939 | 23,127 | 9,998 |
| Income tax | 23 | (8,150) | (5,871) | 5,205 |
| Profit after tax | | 55,789 | 17,256 | 15,203 |
| Minority interest | | (2,663) | (1,147) | (4,237) |
| Net profit | | <u>53,126</u> | <u>16,109</u> | <u>10,966</u> |
| Earnings per share (in full amounts of U.S Dollars) | | | | |
| Basic | 14 | 43.7 | 14.3 | 13.4 |
| Diluted | 14 | 43.7 | 14.3 | 13.4 |

The accompanying policies and explanatory notes on pages F-20 through F-53 form an integral part of these financial statements.

Efes Breweries International N.V. and its Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2003, 2002 and 2001

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

| | Share Capital | Shares to be Issued | Share Premium | Currency Translation Reserve | Legal Reserves and Accumulated Profit/(Deficit) | Total |
|---|------------------|------------------------|------------------|------------------------------------|---|----------------|
| Balance at January 1, 2001 | | | | | | |
| As previously stated | 70,974 | 11,000 | — | — | (27,299) | 54,675 |
| Effect of adopting IAS 29 | — | — | — | — | 6,186 | 6,186 |
| As Restated | 70,974 | 11,000 | — | — | (21,113) | 60,861 |
| Issue of share capital (Note 13) | 24,962 | (11,000) | — | — | — | 13,962 |
| Effect of adopting IAS 39 | — | — | — | — | (43) | (43) |
| Currency translation reserve | — | — | — | 2,661 | — | 2,661 |
| Net profit for the year | — | — | — | — | 10,966 | 10,966 |
| At December 31, 2001 | 95,936 | | | 2,661 | (10,190) | 88,407 |
| Issue of share capital (Note 13) | 25,705 | — | 18,288 | — | — | 43,993 |
| Reclassification | — | — | 383 | — | (383) | — |
| Currency translation reserve | — | — | — | 5,920 | — | 5,920 |
| Effect of group restructuring (Note 3) | — | — | — | — | (2,332) | (2,332) |
| Net profit for the year | — | — | — | — | 16,109 | 16,109 |
| At December 31, 2002 | 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 Russia (Note 3) | — | — | — | (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 |

The accompanying policies and explanatory notes on pages F-20 through F-53 form an integral part of these financial statements.

Efes Breweries International N.V. and its Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2003, 2002 and 2001

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

| | 2003 | 2002 | 2001 |
|--|-----------------|-----------------|----------------|
| Cash flows from operating activities | | | |
| Net profit before minority interest, income tax and gain/(loss) on net monetary position | 63,939 | 17,323 | 3,656 |
| <i>Adjustments to reconcile net income to net cash provided by operating activities</i> | | | |
| Gain on sale of subsidiaries and investment in securities | (25,265) | — | (2,157) |
| Recognition of currency translation due to dilution at Efes Russia | (1,530) | — | — |
| Depreciation and amortisation | 24,051 | 14,684 | 11,029 |
| Provision for bad debt | 439 | 167 | 494 |
| Provision for inventories | 1,185 | 57 | 16 |
| Income recognised from reversal of provision for bad debt | (82) | (400) | — |
| Income recognised from reversal of provision for inventories | (224) | (173) | — |
| Foreign exchange loss raised on loans | 1,379 | 2,063 | — |
| Loss from disposal of property, plant and equipment | 421 | 130 | 234 |
| Reserve for vacation pay liability | 102 | 356 | — |
| Other non-cash incomes/(expenses) | 46 | 202 | 1,316 |
| Interest expense | 5,161 | 4,083 | 4,126 |
| Interest income | (208) | (373) | (509) |
| Impairment in property, plant and equipment | — | 272 | 61 |
| Net income adjusted for non-cash items | 69,414 | 38,391 | 18,266 |
| (Increase)/decrease in inventories | (14,674) | 2 | 5,252 |
| (Increase)/decrease in trade receivables | (3,664) | (2,721) | (1,252) |
| (Increase)/decrease in due from related parties | 378 | (2,180) | (2,221) |
| Increase/(decrease) in trade and other payables | 2,688 | 1,847 | (12,280) |
| Increase/(decrease) in due to related parties | 6,358 | 1,973 | 934 |
| (Increase)/decrease in other current assets | (858) | (5,286) | (3,288) |
| (Increase)/decrease in other non-current assets | (805) | (734) | 151 |
| Increase/(decrease) in other non-current liabilities | (392) | (637) | 1,913 |
| Taxes paid | (9,036) | (3,305) | (3,954) |
| Interest received | 317 | — | — |
| Interest paid | (5,523) | (4,311) | (4,117) |
| Net cash provided by operating activities | 44,203 | 23,039 | (596) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment and intangible assets | (43,066) | (54,307) | (21,677) |
| Proceeds from sale of property, plant and equipment | 1,099 | 162 | 1,029 |
| Proceeds from the sale of investment in securities | 1,938 | — | 12,761 |
| Acquisition of subsidiary, net of cash acquired | (45,302) | (11,158) | — |
| Capital increases of subsidiaries from minority shareholders | 2,258 | 3,321 | — |
| Net cash used in investing activities | (83,073) | (61,982) | (7,887) |
| Cash flows from financing activities | | | |
| Net decrease in short-term debt | 1,584 | (1,190) | (250) |
| Proceeds from long-term debt | 47,230 | 25,945 | 14,115 |
| Repayment of long-term debt | (18,503) | (15,303) | (11,698) |
| Proceeds from issuance of share capital | 2,989 | 25,705 | 13,962 |
| Increase in share premium | 2,896 | 18,288 | — |
| Net cash provided by financing activities | 36,196 | 53,445 | 16,129 |
| Monetary gain on cash and cash transactions and currency translation differences | (3,623) | 80 | 3,132 |
| Net increase in cash and cash equivalents | (6,297) | 14,582 | 10,778 |
| Cash and cash equivalents at beginning of year | 38,974 | 24,392 | 13,614 |
| Cash and cash equivalents at end of year | 32,677 | 38,974 | 24,392 |

The accompanying policies and explanatory notes on pages F-20 through F-53 form an integral part of these financial statements.

Efes Breweries International N.V. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2003, 2002 and 2001

(Currency — In 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 of the Company is located at Strawinskylaan 633, 1077XX Amsterdam, The Netherlands.

In June 2003, the articles of association were changed and the Company transformed its legal status from a B.V. into a N.V.

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⁽¹⁾ and their shareholding percentages at December 31, 2003, 2002 and 2001 were as follows:

| | Place of Incorporation | Principal Activities | Effective Shareholding and voting rights % | | |
|--|------------------------|---|--|-------------------|-------------------|
| | | | December 31, 2003 | December 31, 2002 | December 31, 2001 |
| ZAO Moscow-Efes Brewery (Efes Moscow) | Russia | Production and marketing of beer | 71.00 | 74.50 | 74.50 |
| OAQ Amstar (Amstar) ^(*) | Russia | Production of beer | 71.00 | — | — |
| ZAO Efes Entertainment (Efes Entertainment) ^(*) | Russia | Entertainment | 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 | 49.99 |
| Efes Ukraine Brewery (Efes Ukraine) ^(*) | Ukraine | Production and marketing of beer | 51.00 | 51.00 | 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 | — | — |
| Efes Weifert Brewery d.o.o (Efes Weifert) ^(*) | Serbia | Production and marketing of beer | 62.85 | — | — |
| Efes Commerce d.o.o Belgrade (Efes Commerce) ^(*) | Serbia | Production and marketing of beverages | 100.00 | — | — |
| Efes Romania Industrie Si Comert S.A. (ERIC) ^(*) | Romania | Distribution of Beer | 99.996 | 99.996 | 99.995 |
| Efes Productie S.R.L. (Efes Productie) | Romania | Distribution of Beer | 69.70 | 69.70 | 69.70 |

(1) Amstar, Efes Entertainment, Efes Vitanta, Efes Weifert and Efes Commerce are not included in the consolidation for 2002 and 2001; Efes Karaganda is not included in the consolidation for 2001.

Efes Breweries International N.V. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2003, 2002 and 2001
(Currency — In thousands of U.S. Dollars unless otherwise indicated)

1. GENERAL (Continued)

| | Place of Incorporation | Principal Activities | Effective Shareholding and voting rights % | | |
|--|---------------------------|-------------------------|--|----------------------|----------------------|
| | | | December 31, 2003 | December 31, 2002 | December 31, 2001 |
| Euro-Asian Brauerein Holding GmbH (Euro Asian)..... | Germany | Investment Company | 100.00 | 100.00 | 100.00 |

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

(**) Subsidiaries of Efes Russia, 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.

Environments and Economic Conditions of Subsidiaries

The countries in which the consolidated subsidiaries are operating, have undergone substantial, political and economic changes in the recent years. Accordingly such markets do not possess well-developed business infrastructures and the operations in such countries might carry risks that 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.

Changes in Accounting Principles

Standing Interpretations Committee (SIC) 19 and SIC 30 application

Until 2001, the subsidiaries in Russia, Ukraine (applied only at December 31, 2000 financials) and Romania (except for Interbrew Efes) had adopted U.S. dollars as their measurement and reporting currencies and since U.S. dollars is not the currency of a hyperinflationary economy, they did not apply IAS 29. SIC19, which became

Efes Breweries International N.V. and its Subsidiaries**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2003, 2002 and 2001****(Currency — In thousands of U.S. Dollars unless otherwise indicated)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

effective from January 1, 2001, did not allow such treatment. According to SIC19, companies operating in a highly inflationary economy and which do not meet the requirements of selecting a hard currency as the measurement currency need to apply IAS 29, which requires that financial statements prepared in the currency of a highly inflationary economy should be stated in terms of the measuring unit current at the balance sheet date and corresponding figures for previous period should be restated in the same terms, before translating them into U.S. dollars.

The Group adopted SIC 19 effective from January 1, 2001 and applied its requirements retroactively to the December 31, 2000 financial statements as follows:

| | <u>Shareholders' Equity</u> |
|--|---------------------------------|
| Balance at December 31, 2000 as previously reported | 54,675 |
| Effect of restatement per IAS 29 instead of IAS 21 | <u>6,186</u> |
| Balance as of December 31, 2000 as restated in the accompanying consolidated financial statements | <u>60,861</u> |

The Ukrainian economy has been regarded as hyperinflationary during the ten-year period ended December 31, 2000. As such, Efes Ukraine has applied IAS 29 only to the comparative financial statements for 2000. The subsidiary applied SIC 30 effective from January 1, 2001, in the accompanying consolidated December 31, 2001 financials.

IAS 39 application

IAS 39 sets out, for the first time, requirements for the recognition, derecognition and measurement of derivatives, all monetary assets and liabilities on a company's balance sheet and its equity investments. Eliminated from this standard are requirements relating to investments in associates, leases, employee benefits and tax balances that are dealt with by other standards. The standard imposes strict limits on the use of hedge accounting, even for hedges that are economically effective. The standard is effective from January 1, 2001. Implementation by the Company of IAS 39 had the effect of increasing accumulated deficit by US\$43 million at January 1, 2001.

Reclassifications on 2002 and 2001 Financials

The Company has made certain reclassifications in the comparative figures as of December 31, 2002 and 2001 to be consistent with the current year presentation.

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.

Efes Breweries International N.V. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2003, 2002 and 2001
(Currency — In thousands of U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Currencies of the Subsidiaries:

| | Local Currency | December 31, 2003 Measurement Currency | December 31, 2002 Measurement Currency | December 31, 2001 Measurement Currency |
|--------------------------|-------------------|--|--|--|
| Efes Russia | RUR | RUR | RUR | RUR |
| Efes Karaganda | KZT | KZT | KZT | KZT |
| Interbrew Efes | ROL | EUR | EUR | EUR |
| Efes Ukraine | UAH | UAH | UAH | UAH |
| Efes Vitanta | MDL | MDL | — | — |
| Efes Commerce | YUM | YUM | — | — |
| ERIC | ROL | ROL | ROL | ROL |
| Efes Productie | ROL | ROL | ROL | ROL |
| Euro Asian | EUR | USD | USD | USD |
| Amstar | RUR | RUR | — | — |
| Efes Entertainment | RUR | RUR | — | — |
| Efes Weifert | YUM | YUM | — | — |

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The profit and loss 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 profit and loss 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 organisationally autonomous.

Hyperinflation

IAS 29, "Financial Reporting in Hyperinflationary Economies", requires that financial statements of enterprises that report in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. IAS 29 indicates that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading. Certain of the Company's subsidiaries operated in economies considered to be hyperinflationary pursuant to IAS 29 up to the end of 2002.

The following principles related to the restatement of such subsidiary's financial statements:

- Non-monetary items not already expressed in terms of the measuring currency at the balance sheet date were restated by applying a general price index.
- Monetary items were not restated
- All items in the income statement were restated for the change in the general price index from the transaction date to the balance sheet date

Efes Breweries International N.V. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2003, 2002 and 2001
(Currency — In thousands of U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The gain or loss on the net monetary position was included in net income.

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 unrealised 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. The Company's ownership interest in Interbrew Efes is recognized 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 recognized 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 recognized in the income statement in the period in which they arise.

The "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 deposited cash at and cash in hand and short-term deposits with maturities of three months or less.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2003, 2002 and 2001

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 realisable value, after provision for obsolete items. Net realisable 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. Unrealisable inventory has been fully written off.

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

Investments

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

Efes Breweries International N.V. and its Subsidiaries**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2003, 2002 and 2001****(Currency — In thousands of U.S. Dollars unless otherwise indicated)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 largely 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.

Intangibles***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.

Intangible Assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised 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. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives.

The carrying values of 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 capitalised 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.

Research and Development Cost

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Recognition and Derecognition of Financial Instruments

The Group recognises 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 derecognises a financial asset or a

Efes Breweries International N.V. and its Subsidiaries**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2003, 2002 and 2001****(Currency — In thousands of U.S. Dollars unless otherwise indicated)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 derecognises a financial liability when and only when a liability is extinguished, that is when the obligation specified in the contract is discharged, cancelled and 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 net profit or loss when the liabilities are derecognised, as well as through the amortisation process.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation 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 capitalised 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 capitalised 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 against income. Capitalised 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.

Efes Breweries International N.V. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2003, 2002 and 2001
(Currency — In thousands of U.S. Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are stated net of discounts, value added and sales taxes. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

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 utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the

Efes Breweries International N.V. and its Subsidiaries**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2003, 2002 and 2001****(Currency — In thousands of U.S. Dollars unless otherwise indicated)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

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.

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.

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 is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3. CHANGES IN THE GROUP'S ORGANISATION**For the year 2003**

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

Efes Breweries International N.V. and its Subsidiaries**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2003, 2002 and 2001****(Currency — In thousands of U.S. Dollars unless otherwise indicated)****3. CHANGES IN THE GROUP'S ORGANISATION (Continued)**

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 Russia's shares from the minority shareholders of Efes Russia.

In August 2003, the Company entered into a shareholders agreement with Amsterdam Breweries International B.V., pursuant to which Efes Russia 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 subscription rights to shares constituting 12.4% of the share capital of Efes Russia on a fully diluted basis. Subsequently, the effective shareholding of the Company at Efes Russia 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 in 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.

For the year 2002

On January 3, 2002, the Company acquired all of the outstanding common stock of Efes Karaganda from Efes Pazarlama ve Dağıtım Ticaret A.Ş (Efpa) (a subsidiary of Anadolu Efes) for a cash price of USD 11,367. Both the Company and Efpa are under the common control of Anadolu Efes. The excess of purchase price over the fair values of the net assets acquired was USD 2,332 and has been recorded as a decrease in the shareholders' equity in the consolidated balance sheet as of December 31, 2002. Accordingly, the consolidated income statement and consolidated cash flow statement include the results and cash flows of Efes Karaganda for the twelve-month period from its acquisition on January 3, 2002.

During 2002, ERIC has increased its share capital where the minority shareholders of the Subsidiary have not exercised their pre-emptive rights. Consequently, the effective shareholding of the Company in ERIC has increased from 99.995% to 99.996% in 2002.

For the year 2001

In 2001, ERIC increased its share capital and the Company increased its shareholding from 99.993% to 99.995% in this increase.

On January 8, 2001, the Company sold 25,028,292 shares, 6.50% of the share capital of Efes Russia, to EL&EL Limited and in return it has been paid a cash amount of USD2.9 million. On March 21, 2001, the Company sold 38,505,065 shares, 10% of the share capital of Efes Russia, to European Bank for Reconstruction and Development (EBRD) and in return it has been paid a cash amount of USD 4.5 million. The sales price of

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2003, 2002 and 2001

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

3. CHANGES IN THE GROUP'S ORGANISATION (Continued)

such shares was agreed upon the basis of the historical cost of Efes Russia capital. In the accompanying consolidated financial statements as of December 31, 2001, a gain of USD 691 is recognised, in the other income, as a result of disposal of such shares.

As of December 31, 2000, the Company's shareholding in Efes Ukraine was 100%. On December 4, 2001, Efes Ukraine was re-registered as a closed joint-stock company with the following shareholders' structure — 51% the Company and 49% Chernomor. Chernomor contributed USD 5.3 million in the form of fixed assets. In the accompanying consolidated financial statements as of December 31, 2001, a gain of USD 1,466 is recognised in other income. Such a gain occurred because pre-emptive rights were not exercised.

4. CASH AND CASH EQUIVALENTS

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|--|----------------------|---------------|---------------|
| Cash on hand | 59 | 11 | 119 |
| Banks accounts (including short-term time deposits) | 32,585 | 38,961 | 24,252 |
| Other | 33 | 2 | 21 |
| Cash and cash equivalents per consolidated cash flow statement | <u>32,677</u> | <u>38,974</u> | <u>24,392</u> |

Loans utilised by Efes Russia of USD 3,000, by Efes Ukraine of USD 4,769, by Efes Karaganda of USD 2,762 and by Rostov Beverage CJSC (Rostov Beverage-a related party) of USD 6,974 as of December 31, 2003 are secured with the same amount of cash at banks (Refer to Note 12)(2002 — USD 14,558, 2001 — USD 16,550).

Time deposits are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest between 1.4% and 4.5%.

5. TRADE AND OTHER RECEIVABLES

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|---|----------------------|---------------|--------------|
| Accounts Receivable | 18,977 | 10,609 | 6,235 |
| Loan notes (Notes receivable) | 30 | — | — |
| Less: provision for doubtful accounts | (1,318) | (596) | (726) |
| Others | 11 | 13 | 33 |
| Total | <u>17,700</u> | <u>10,026</u> | <u>5,542</u> |

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2003, 2002 and 2001

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

6. INVENTORIES

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|---|----------------------|---------------|---------------|
| Raw materials | 21,424 | 10,325 | 9,775 |
| Finished goods | 3,980 | 2,275 | 2,036 |
| Work-in-process | 3,931 | 2,153 | 1,116 |
| Supplies | 1,374 | 1,276 | 1,185 |
| Merchandise | 898 | 24 | 257 |
| Less reserve for obsolescence | (4,179) | (2,096) | (2,193) |
| Others | 10,370 | 3,453 | 2,954 |
| Total | <u>37,798</u> | <u>17,410</u> | <u>15,130</u> |

7. PREPAYMENTS AND OTHER CURRENT ASSETS

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|--|----------------------|---------------|--------------|
| Advances given to suppliers | 6,044 | 226 | 1,609 |
| VAT deductible | 5,886 | 4,366 | 466 |
| Prepaid expenses | 522 | 4,468 | 1,299 |
| Other receivables | 2,957 | 4,203 | 4,363 |
| Less provision for other receivables | (58) | (23) | (570) |
| Total | <u>15,351</u> | <u>13,240</u> | <u>7,167</u> |

Efes Breweries International N.V. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2003, 2002 and 2001
(Currency — In thousands of U.S. Dollars unless otherwise indicated)

8. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Infrastructure | Machinery and Equipment | Furniture And Vehicles | Other | Construction in progress | Total |
|---|------------|----------------|----------------|-------------------------------|---------------------------|--------------|-----------------------------|----------------|
| Cost | | | | | | | | |
| January 1, 2001 | | | | | | | | |
| — as previously stated | — | 40,843 | 2,473 | 62,927 | 5,995 | 2,049 | 3,382 | 117,669 |
| — restatement effect | — | 3,745 | 299 | 8,336 | (2,905) | — | 256 | 9,731 |
| — as restated | — | 44,588 | 2,772 | 71,263 | 3,090 | 2,049 | 3,638 | 127,400 |
| Additions | — | 2,322 | 1,155 | 2,888 | 631 | 984 | 13,586 | 21,566 |
| Disposals | — | — | — | (1,923) | (666) | (71) | — | (2,660) |
| Currency translation difference | — | 3,192 | 304 | 4,836 | 186 | (98) | 238 | 8,658 |
| Transfers | — | 728 | 7 | 7,426 | 279 | — | (8,440) | — |
| December 31, 2001 | — | 50,830 | 4,238 | 84,490 | 3,520 | 2,864 | 9,022 | 154,964 |
| Reclassification | — | (1,905) | — | 1,905 | — | — | — | — |
| Additions | — | 628 | 39 | 477 | 192 | 1,025 | 50,186 | 52,547 |
| Disposals | — | — | — | (209) | (343) | (86) | (10) | (648) |
| Addition through subsidiary acquired | 307 | 751 | — | 4,391 | 196 | 594 | 3,415 | 9,654 |
| Currency translation difference | (11) | 5,115 | 275 | 8,831 | 250 | 299 | 611 | 15,370 |
| Transfers | — | 11,770 | 342 | 13,893 | 1,747 | 7 | (27,759) | — |
| December 31, 2002 | 296 | 67,189 | 4,894 | 113,778 | 5,562 | 4,703 | 35,465 | 231,887 |
| Reclassification | — | — | — | 416 | — | (416) | — | — |
| Additions | 79 | 115 | 1 | 2,782 | 176 | 1,187 | 37,514 | 41,854 |
| Disposals | — | — | — | (1,737) | (243) | (13) | (751) | (2,744) |
| Addition through subsidiary acquired | 271 | 15,138 | 4,155 | 31,929 | 2,454 | 2,846 | 1,401 | 58,194 |
| Currency translation difference | 46 | 7,303 | 324 | 14,714 | 678 | 567 | 2,450 | 26,082 |
| Transfers | — | 11,385 | 178 | 50,580 | 2,032 | 463 | (64,638) | — |
| December 31, 2003 | 692 | 101,130 | 9,552 | 212,462 | 10,659 | 9,337 | 11,441 | 355,273 |
| Accumulated Depreciation and Impairment Losses | | | | | | | | |
| Balance at January 1 | | | | | | | | |
| — as previously stated | — | 2,383 | 100 | 9,476 | 2,079 | 77 | — | 14,115 |
| — restatement effect | — | 59 | (6) | 844 | (1,174) | 480 | — | 203 |
| — as restated | — | 2,442 | 94 | 10,320 | 905 | 557 | — | 14,318 |
| Depreciation for the year | — | 1,945 | 77 | 7,668 | 629 | 236 | — | 10,555 |
| Impairment losses | — | — | — | — | — | 61 | — | 61 |
| Disposals | — | — | — | (662) | (231) | (504) | — | (1,397) |
| Currency translation difference | — | 175 | 10 | 650 | 59 | (2) | — | 892 |
| December 31, 2001 | — | 4,562 | 181 | 17,976 | 1,362 | 348 | — | 24,429 |
| Reclassification | — | (186) | — | 292 | (106) | — | — | — |
| Depreciation for the year | — | 2,963 | 116 | 9,729 | 645 | 634 | — | 14,087 |
| Impairment losses | — | 33 | — | — | 239 | — | — | 272 |
| Disposals | — | — | — | (50) | (221) | (85) | — | (356) |
| Addition through subsidiary acquired | — | 67 | — | 477 | 31 | 117 | — | 692 |
| Currency translation difference | — | 519 | 17 | 2,110 | 115 | (37) | — | 2,724 |
| December 31, 2002 | — | 7,958 | 314 | 30,534 | 2,065 | 977 | — | 41,848 |
| Reclassification | — | — | — | (77) | — | 77 | — | — |
| Depreciation for the year | — | 3,699 | 213 | 15,462 | 1,127 | 1,136 | — | 21,637 |
| Disposals | — | — | — | (981) | (229) | (14) | — | (1,224) |
| Addition through subsidiary acquired | — | 4,468 | 2,053 | 10,482 | 1,379 | 781 | — | 19,163 |
| Currency translation difference | — | 1,259 | (30) | 4,483 | 293 | 205 | — | 6,210 |
| December 31, 2003 | — | 17,384 | 2,550 | 59,903 | 4,635 | 3,162 | — | 87,634 |
| Net book value | | | | | | | | |
| December 31, 2001 | — | 46,268 | 4,057 | 66,514 | 2,158 | 2,516 | 9,022 | 130,585 |
| December 31, 2002 | 296 | 59,231 | 4,580 | 83,244 | 3,497 | 3,726 | 35,465 | 190,039 |
| December 31, 2003 | 692 | 83,746 | 7,002 | 152,559 | 6,024 | 6,175 | 11,441 | 267,639 |

Efes Breweries International N.V. and its Subsidiaries**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2003, 2002 and 2001****(Currency — In thousands of U.S. Dollars unless otherwise indicated)****8. PROPERTY, PLANT AND EQUIPMENT — (Continued)**

As of December 31, 2003, 2002 and 2001, 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 8,547, USD 8,035 and USD 1,911 and has a net book value of USD 6,763, USD 7,116 and USD 1,747 as at December 31, 2003, 2002 and 2001, respectively (Refer to Note 27).

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 capitalised as property, plant and equipment amounted to USD 587, USD 706 and USD 215 as of December 31, 2003, 2002 and 2001, respectively, and were calculated over the terms of long-term borrowings by taking their interest rates into account.

3) Impairment losses

During 2003, no impairment loss was recognised. (2002-USD 272, 2001-USD 61)(Refer to Note 21).

Efes Ukraine ceased production in September 2003. At the beginning of 2004, the Company has initiated intensive discussions for the restructuring of its business in Ukraine including, but not limited to, business partnerships, formation of new joint ventures or acquisition of a significant stake in an other brewing business. Currently, there is no production and development plan for Efes Ukraine as such plan would be fully dependent on the outcome of the ongoing negotiations for the referred restructuring plans. The property, plant and equipment in Ukraine is accounted for at cost less accumulated depreciation. Taking into account that the future cash generation by the property, plant and equipment in Ukraine is fully dependent on the outcome of the intended restructuring, no impairment loss has been recognised for the property, plant and equipment in Ukraine.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2003, 2002 and 2001

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

9. INTANGIBLE ASSETS

| | Goodwill | Other intangible assets | 2003 Total | 2002 Total | 2001 Total |
|---|---------------|-------------------------------|---------------|---------------|---------------|
| Cost | | | | | |
| January 1 | 7,776 | 167 | 7,943 | 6,178 | 6,070 |
| Additions | 60,303 | 1,802 | 62,105 | 1,760 | 111 |
| Disposals | — | — | — | — | — |
| Addition through subsidiary acquired | — | 417 | 417 | — | — |
| Currency translation difference | 1,879 | 103 | 1,982 | 5 | (3) |
| December 31 | 69,958 | 2,489 | 72,447 | 7,943 | 6,178 |
| Accumulated amortisation and impairment losses | | | | | |
| January 1 | 4,335 | 53 | 4,388 | 3,788 | 3,314 |
| Amortisation for the year | 2,044 | 370 | 2,414 | 597 | 474 |
| Disposals | — | — | — | — | — |
| Addition through subsidiary acquired | — | 298 | 298 | — | — |
| Currency translation difference | 46 | 35 | 81 | 3 | — |
| December 31 | 6,425 | 756 | 7,181 | 4,388 | 3,788 |
| Net book value | 63,533 | 1,733 | 65,266 | 3,555 | 2,390 |

10. INVESTMENTS IN SECURITIES

| | 2003 | 2002 | 2001 |
|--|--------------|--------------|--------------|
| ZAO Mutena Maltery (Mutena Maltery) | 1,511 | 1,511 | 1,511 |
| AOA Knyaz Rurik (Knyaz Rurik) | — | 1,553 | 1,553 |
| Others | 243 | — | — |
| Total available-for-sale investments — non-current | 1,754 | 3,064 | 3,064 |

Available-for-sale investments

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.

At April 17, 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 (Refer to Note 21).

11. TRADE AND OTHER PAYABLES

| | 2003 | 2002 | 2001 |
|---|---------------|---------------|---------------|
| Trade accounts payable | 19,507 | 10,755 | 10,811 |
| Taxes payable other than income tax | 5,276 | 2,593 | 365 |
| Accrued expenses | 1,017 | 854 | 590 |
| Other short-term payables | 5,090 | 1,932 | 1,096 |
| Total | 30,890 | 16,134 | 12,862 |

Efes Breweries International N.V. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2003, 2002 and 2001
(Currency — In thousands of U.S. Dollars unless otherwise indicated)

12. BORROWINGS

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|---|-----------------------|---------------|---------------|
| Current | | | |
| Bank borrowings (including current portion of long-term borrowings) | 42,734 | 33,147 | 27,652 |
| Loan from Interbrew International B.V. | 1,896 | — | — |
| Finance lease liabilities | 1,099 | 1,048 | 159 |
| | <u>45,729</u> | <u>34,195</u> | <u>27,811</u> |
| Non-current | | | |
| Bank borrowings | 66,993 | 28,904 | 26,815 |
| Loan from Interbrew International B.V. | — | 2,561 | 2,428 |
| Finance lease liabilities | 4,541 | 5,253 | 1,177 |
| | <u>71,534</u> | <u>36,718</u> | <u>30,420</u> |
| Total borrowings | <u>117,263</u> | <u>70,913</u> | <u>58,231</u> |

As of December 31, 2003, USD 99,981 (2002 — USD 55,955, 2001 — USD 49,976) of the total borrowings are secured with the following:

- Certain fixed assets of the Group amounting to USD 20,511.
- Property of Mutena Maltery, which is one of the Company's investments, amounting to USD 4,075.
- Cash collateral amounting to USD 17,505
- Efes Russia's immovable and movable properties, including inventory balances; the assignment of the rights regarding insurance coverage in respect of Efes Russia's property; all Efes Russia's shares held by the Company.
- All shares of Efes Karaganda held by the Company.
- Inventory of the Group amounting to USD 6,108.
- The ability of Efes Russia and Efes Karaganda to declare dividends is subject to prior consent of the EBRD under the provisions of the relevant loan agreements.
- A letter of guarantee amounting to USD 8,057 provided by the Company.
- A letter of guarantee amounting to USD 20,000 provided by Anadolu Efes.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2003, 2002 and 2001

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

12. BORROWINGS — (Continued)

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

| | 2003 | 2002 | 2001 |
|-------------------------------------|---------------------|---------------------|---------------------|
| Bank borrowings | | | |
| <i>Non-current</i> | | | |
| USD and Euro denominated | | | |
| borrowings | Libor + (3.1%-4.1%) | Libor + (3.1%-4.1%) | Libor + (3.1%-4.1%) |
| | — | Euribor + (0.6%) | — |
| <i>Current</i> | | | |
| USD and Euro denominated | | | |
| borrowings | Libor + (0.5%-4.1%) | Libor + (0.5%-4.1%) | Libor + (3.1%-4.1%) |
| | 1.0%-7.0% | 1.0%-7.0% | 1.0%-4.0% |
| | — | Euribor + (0.6%) | — |
| Other currency denominated | | | |
| borrowings | 13.0%-18.0% | 13.5%-20% | 20% |
| Loan from Interbrew | | | |
| International B.V. | Libor + (3.0%) | Libor + (3.0%) | Libor + (3.0%) |
| Finance lease liabilities | 6.0%-8.3% | 7.9%-8.3% | 8.3% |

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

| | 2003 | 2002 | 2001 |
|----------------------|---------------|---------------|---------------|
| 2002 | — | — | 11,372 |
| 2003 | — | 9,902 | 13,431 |
| 2004 | 11,861 | 12,922 | 8,937 |
| 2005 | 17,820 | 5,833 | 2,750 |
| 2006 | 17,397 | 5,833 | 2,750 |
| Thereafter | 31,776 | 6,877 | 1,375 |
| | <u>78,854</u> | <u>41,367</u> | <u>40,615</u> |

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

| | 2003 | 2002 | 2001 |
|--|----------------|----------------|----------------|
| Next 1 year | 1,648 | 1,592 | 303 |
| 1 year through 5 years | 5,467 | 6,542 | 1,558 |
| After 5 years | 956 | 1,013 | 1,076 |
| Total minimum lease obligations | <u>8,071</u> | <u>9,147</u> | <u>2,937</u> |
| Interest | <u>(2,431)</u> | <u>(2,846)</u> | <u>(1,601)</u> |
| Present value of minimum obligations | <u>5,640</u> | <u>6,301</u> | <u>1,336</u> |

Efes Breweries International N.V. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2003, 2002 and 2001
(Currency — In thousands of U.S. Dollars unless otherwise indicated)

13. SHARE CAPITAL

| | 2003 Number of shares | 2002 Number of shares | 2001 Number of shares |
|--|--------------------------|--------------------------|--------------------------|
| Common shares, 100 EUR, par value | | | |
| Authorised | 1,361,400 | 1,361,400 | 3,000,131 ^(*) |
| Issued and outstanding | 1,223,238 | 1,195,103 | 2,008,685 ^(*) |

Movement in share capital

The movement of the share capital of the Company during 2003, 2002 and 2001 is as follows:

| | 2003 | | 2002 | | 2001 | |
|---------------------|-------------------------|-----------------------|-------------------------|-----------------------|---------------------------------------|----------------------|
| | Number of shares | USD | Number of shares | USD | Number of shares | USD |
| At January 1, | 1,195,103 | 121,641 | 911,541 | 95,936 | 1,420,806 | 70,974 |
| Shares issued | 28,135 | 2,989 | 283,562 | 25,705 | 587,879 | 24,962 |
| At December 31 | <u>1,223,238</u> | <u>124,630</u> | <u>1,195,103</u> | <u>121,641</u> | <u>2,008,685^(*)</u> | <u>95,936</u> |

(*) As of December 31, 2001, the par value of each share was EUR 45.38 and the number of shares issued and outstanding was 2,008,685. Subsequent to December 31, 2001, the Company converted the par value of all its issued shares from EUR 45.38 to EUR 100. After the conversion, the number of shares with a par value of EUR 100 was equivalent to 911,541.

In 2001, the Company increased its share capital by issuing 587 thousand new shares. Such increase in share capital is partially realised by means of a transfer from share capital advances that were outstanding as of December 31, 2000.

At March 25, 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% and the share premium of the Company increased by USD 2,896.

The details of capital increases are as follows:

| <u>Date</u> | <u>Number of shares issued</u> | <u>At par</u> | | <u>Share Premium</u> | |
|------------------------|------------------------------------|--------------------|--------------|--------------------------|--------------|
| | | <i>EURO (full)</i> | <i>USD</i> | <i>EURO (full)</i> | <i>USD</i> |
| January 26, 2001 | 276,300 | 12,538,494 | 11,732 | — | — |
| June 1, 2001 | 148,358 | 6,732,486 | 6,299 | — | — |
| October 1, 2001 | 163,221 | 7,406,968 | 6,931 | — | — |
| January 9, 2002 | 127,661 | 12,766,075 | 11,381 | — | — |
| May 24, 2002 | 155,901 | 15,590,100 | 14,324 | 19,905,035 | 18,288 |
| March 25, 2003 | 28,135 | 2,813,500 | 2,989 | 2,725,851 | 2,896 |

Efes Breweries International N.V. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2003, 2002 and 2001
(Currency — In thousands of U.S. Dollars unless otherwise indicated)

13. SHARE CAPITAL — (Continued)

As at December 31, 2003, 2002 and 2001 the composition of shareholders and their respective % of ownership can be summarised as follows:

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|--|-----------------------|----------------|----------------|
| Anadolu Efes | 84.96% | 86.96% | 99.88% |
| International corporate investors | 15.04% | 13.04% | — |
| Tarbes Tarım Ürünleri ve Besicilik Sanayi ve Ticaret A.Ş. (Tarbes) | <u>—</u> | <u>—</u> | 0.12% |
| Total | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

14. EARNINGS PER SHARE

Basic earnings per share (EPS), which is the 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:

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|--|-------------------------|------------------|------------------------------|
| Net profit attributable to ordinary shareholders | <u>53,126</u> | <u>16,109</u> | <u>10,966</u> |
| Weighted average number of ordinary shares | <u>1,216,763</u> | <u>1,130,022</u> | <u>817,488^(*)</u> |

(*) Refer to Note 13 for the change in the number of shares at December 31, 2001. Earnings per share in 2001 have been computed by considering the par value of a share as EUR 100 to be comparative with 2002.

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:

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|---|-----------------------|---------------|---------------|
| Materials used | 102,418 | 64,925 | 42,698 |
| Depreciation on property, plant and equipment | 15,594 | 9,222 | 7,730 |
| Personnel expenses | 6,902 | 3,516 | 2,335 |
| Repair and maintenance expenses | 3,763 | 1,525 | 142 |
| Amortisation of intangible assets | 34 | 7 | 6 |
| Rent expense | 16 | 53 | 207 |
| Other expenses | <u>7,595</u> | <u>5,042</u> | <u>4,723</u> |
| Total expenses | <u>136,322</u> | <u>84,290</u> | <u>57,841</u> |

Efes Breweries International N.V. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2003, 2002 and 2001
(Currency — In thousands of U.S. Dollars unless otherwise indicated)

16. SELLING AND MARKETING EXPENSES

Selling and marketing expenses are analysed as follows:

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|---|---------------|---------------|---------------|
| Marketing and advertising expenses | 29,644 | 17,984 | 7,185 |
| Distribution expenses | 12,906 | 3,874 | 1,032 |
| Personnel expenses | 7,931 | 4,550 | 3,156 |
| Depreciation on property, plant and equipment | 3,659 | 3,390 | 1,775 |
| Amortisation of intangible assets | 16 | 11 | 6 |
| Other expenses | 4,896 | 2,583 | 1,627 |
| Total expenses | <u>59,052</u> | <u>32,392</u> | <u>14,781</u> |

17. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include the following:

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|---|---------------|---------------|---------------|
| Personnel expenses | 9,860 | 6,046 | 2,881 |
| Management fees and technical assistance | 4,396 | 3,866 | 3,054 |
| Taxes and duties | 4,082 | 3,723 | 3,306 |
| Depreciation on property, plant and equipment | 2,384 | 1,475 | 1,050 |
| Amortisation of intangibles | 2,364 | 579 | 462 |
| Insurance expenses | 996 | 816 | 473 |
| Rent and transportation expenses | 905 | 227 | 1,484 |
| Consulting and legal fees | 645 | 1,446 | 1,211 |
| Bad debt provision | 439 | 167 | 494 |
| Other expenses | 6,809 | 3,293 | 3,239 |
| Total expenses | <u>32,880</u> | <u>21,638</u> | <u>17,654</u> |

18. PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|-----------------------------|---------------|---------------|--------------|
| Wages and salaries | 21,171 | 11,859 | 8,283 |
| Other social expenses | 3,522 | 2,253 | 89 |
| Total expenses | <u>24,693</u> | <u>14,112</u> | <u>8,372</u> |

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2003, 2002 and 2001

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

18. PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES — (Continued)

The average number of employees for the years was:

| | 2003 | 2002 | 2001 |
|---|--------------|--------------|------------|
| Russia ^(*) | 1,406 | 602 | 487 |
| Moldova ^(**) | 813 | — | — |
| Kazakhstan ^(***) | 696 | 388 | — |
| Serbia and Montenegro ^(**) | 310 | — | — |
| Ukraine | 240 | 258 | 272 |
| Romania | 139 | 148 | 194 |
| The Netherlands | 2 | — | — |
| | <u>3,606</u> | <u>1,396</u> | <u>953</u> |

(*) The subsidiary in Russia, Efes Russia, acquired 100% of the share capital of Amstar in 2003. Therefore the figure for Amstar has not been included in the number of employees in 2002 and 2001.

(**) The subsidiaries in Moldova and Serbia and Montenegro were acquired in 2003. Therefore the figures for Efes Vitanta and Efes Weifert have not been included in the number of employees in 2002 and 2001.

(***) The Subsidiary in Kazakhstan, Efes Karaganda, was acquired in 2002. Therefore the figures for Efes Karaganda have not been included in the number of employees in 2001.

19. DEPRECIATION AND AMORTISATION EXPENSES

| | 2003 | 2002 | 2001 |
|---|---------------|---------------|---------------|
| Property, plant and equipment | | | |
| Cost of production | 15,594 | 9,222 | 7,730 |
| Distribution costs | 3,659 | 3,390 | 1,775 |
| Administration expenses | 2,384 | 1,475 | 1,050 |
| Sub-total depreciation expense | <u>21,637</u> | <u>14,087</u> | <u>10,555</u> |
| Intangible assets | | | |
| Cost of production | 34 | 7 | 6 |
| Distribution costs | 16 | 11 | 6 |
| Administration expenses | 2,364 | 579 | 462 |
| Sub-total amortisation expense | <u>2,414</u> | <u>597</u> | <u>474</u> |
| Total depreciation and amortisation expenses | <u>24,051</u> | <u>14,684</u> | <u>11,029</u> |

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2003, 2002 and 2001

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

20. FINANCIAL EXPENSE

| | 2003 | 2002 | 2001 |
|---|---------|---------|---------|
| Interest income | 208 | 373 | 509 |
| Foreign currency exchange gains | 4,880 | 71 | — |
| Total financial income | 5,088 | 444 | 509 |
| Interest expense on borrowings | (4,765) | (3,554) | (3,983) |
| Interest expense on finance lease | (396) | (529) | (143) |
| Foreign currency exchange losses | — | — | (5,229) |
| Other financial expense | (1,195) | (387) | (637) |
| Total financial expense | (6,356) | (4,470) | (9,992) |
| Net financial expense | (1,268) | (4,026) | (9,483) |

Interest expenses, net for the years ended December 31, 2003, 2002 and 2001, are stated net of government grants received in the amount of approximately USD 249, USD 267 and USD 396, respectively.

21. OTHER INCOME/(EXPENSE)

| | 2003 | 2002 | 2001 |
|--|---------|---------|---------|
| Gain on sale of participations (Refer to Notes 3 and 10) | 25,265 | — | 2,157 |
| Recognition of currency translation due to sale of participation (Refer to Note 3) | 1,530 | — | — |
| Income on sale of soda drinks | 1,950 | 1,492 | — |
| Cost of sale of soda drinks | (1,805) | (1,375) | — |
| Provision for obsolete inventory | (1,185) | (57) | (16) |
| Management fee income | 1,136 | — | — |
| Loss on disposal of property, plant and equipment | (421) | (130) | (234) |
| Dividend income | 242 | — | — |
| Provision for impairment of property, plant and equipment (Refer to Note 8) | — | (272) | (61) |
| Other income/(expense) | 2,630 | (99) | (1,051) |
| Total other income/(expenses) | 29,342 | (441) | 795 |

22. GAIN ON NET MONETARY POSITION

Efes Russia, ERIC and Efes Productie are operating in Russia and Romania, which were deemed as hyperinflationary environments in 2002. In 2003, the economies of these countries were regarded as non-hyperinflationary and the management has stopped hyperinflationary accounting in Russia and Romania since January 1, 2003. The impact of inflation on the Group's net monetary position was included in this item in 2002 and 2001.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2003, 2002 and 2001

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

23. INCOME TAXES

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|---|----------------|----------------|--------------|
| Current tax expense | (10,002) | (1,775) | (2,421) |
| Deferred tax income/(expense) relating to the origination and reversal of temporary differences | 1,852 | (4,096) | 7,626 |
| Total income tax | <u>(8,150)</u> | <u>(5,871)</u> | <u>5,205</u> |

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

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|---|-----------------|----------------|----------------|
| Consolidated profit before tax and minority interest | 63,939 | 23,127 | 9,998 |
| Permanent differences between IFRS and statutory results | (23,643) | (8,826) | (9,286) |
| Tax effect of loss-making subsidiaries | 7,620 | 5,064 | 8,669 |
| Participation exemption | — | — | (2,927) |
| Add non deductible expenses | 3,447 | 2,229 | 5,812 |
| Taxable profit | <u>51,363</u> | <u>21,594</u> | <u>12,266</u> |
| Tax calculated at the Company's tax rate of 34.5% in 2003 and 2002, and 35% in 2001 | (17,977) | (7,558) | (4,293) |
| Utilisation of previously unused tax losses | 3,361 | 4,585 | 418 |
| Investment tax credit | (653) | 175 | 2,137 |
| Impact of different tax rates in other countries | 3,978 | 1,023 | (683) |
| Income tax exemption | 1,289 | — | — |
| | <u>(10,002)</u> | <u>(1,775)</u> | <u>(2,421)</u> |
| Change in tax rate | — | — | 1,777 |
| Tangible asset valuation, net | (995) | (4,533) | 6,917 |
| Intangible asset valuation, net | 7 | (53) | (73) |
| Tax loss carried forward | 2,534 | (273) | (305) |
| Accruals | 1,645 | 1,035 | (379) |
| Others | (1,339) | (272) | (311) |
| Total income tax | <u>(8,150)</u> | <u>(5,871)</u> | <u>5,205</u> |

Efes Breweries International N.V. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2003, 2002 and 2001
(Currency — In thousands of U.S. Dollars unless otherwise indicated)

24. DEFERRED TAXES

Components of deferred tax assets and liabilities are as follows:

| | Assets | | | Liabilities | | | Net | | |
|---|--------------|--------------|--------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
| | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| Accruals | 3,147 | 1,331 | 273 | — | — | — | 3,147 | 1,331 | 273 |
| Inventory | 210 | 34 | 8 | (295) | (71) | (149) | (85) | (37) | (141) |
| Tax loss carried forward | 5,167 | 2,568 | 2,592 | — | — | — | 5,167 | 2,568 | 2,592 |
| Prepayments | — | — | — | (413) | (244) | (175) | (413) | (244) | (175) |
| Tangible assets | — | — | — | (15,616) | (12,136) | (6,597) | (15,616) | (12,136) | (6,597) |
| Intangible assets | 58 | — | 43 | — | (5) | — | 58 | (5) | 43 |
| Other | 476 | 896 | 592 | (1,460) | (1,413) | (683) | (984) | (517) | (91) |
| | <u>9,058</u> | <u>4,829</u> | <u>3,508</u> | <u>(17,784)</u> | <u>(13,869)</u> | <u>(7,604)</u> | <u>(8,726)</u> | <u>(9,040)</u> | <u>(4,096)</u> |
| Net deferred income tax liability . . . | | | | | | | (12,087) | (9,040) | (4,096) |
| Deferred income tax asset — tax loss carried forward | | | | | | | 3,361 | — | — |
| | | | | | | | <u>(8,726)</u> | <u>(9,040)</u> | <u>(4,096)</u> |

Deferred tax arises on the above in the following circumstances:

- property, plant and equipment: accelerated tax depreciation results in tax bases that are lower than with 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 unrealised 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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2003, 2002 and 2001

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

24. DEFERRED TAXES — (Continued)

Movements in deferred tax for the year 2003 are as follows:

| | Balance at January 1, 2003 | Addition through subsidiary acquired | Recognised in income | Translation effect | Balance at December 31, 2003 |
|--------------------------------|----------------------------------|--|-------------------------|-----------------------|------------------------------------|
| Accruals | 1,331 | — | 1,645 | 171 | 3,147 |
| Inventory | (37) | 113 | (139) | (22) | (85) |
| Tax loss carried forward | 2,568 | — | 2,534 | 65 | 5,167 |
| Prepayments | (244) | — | (118) | (51) | (413) |
| Tangible assets | (12,136) | (1,259) | (995) | (1,226) | (15,616) |
| Intangible assets | (5) | 2 | 7 | 54 | 58 |
| Other | (517) | 594 | (1,082) | 21 | (984) |
| | <u>(9,040)</u> | <u>(550)</u> | <u>1,852</u> | <u>(988)</u> | <u>(8,726)</u> |

Movements in deferred tax for the year 2002 are as follows:

| | Balance at January 1, 2002 | Addition through subsidiary acquired | Recognised in income | Translation effect | Balance at December 31, 2002 |
|--------------------------------|----------------------------------|--|-------------------------|-----------------------|------------------------------------|
| Accruals | 273 | 6 | 1,035 | 17 | 1,331 |
| Inventory | (141) | — | 118 | (14) | (37) |
| Tax loss carried forward | 2,592 | — | (273) | 249 | 2,568 |
| Prepayments | (175) | — | (40) | (29) | (244) |
| Tangible assets | (6,597) | (199) | (4,533) | (807) | (12,136) |
| Intangible assets | 43 | — | (53) | 5 | (5) |
| Other | (91) | (118) | (350) | 42 | (517) |
| | <u>(4,096)</u> | <u>(311)</u> | <u>(4,096)</u> | <u>(537)</u> | <u>(9,040)</u> |

Movements in deferred tax for the year 2001 are as follows:

| | Balance at January 1, 2001 | Addition through subsidiary acquired | Recognised in income | Translation effect | Balance at December 31, 2001 |
|--------------------------------|----------------------------------|--|-------------------------|-----------------------|------------------------------------|
| Accruals | 679 | — | (480) | 74 | 273 |
| Inventory | (207) | — | 89 | (23) | (141) |
| Tax loss carried forward | 2,611 | — | (305) | 286 | 2,592 |
| Prepayments | (158) | — | (17) | — | (175) |
| Tangible assets | (14,461) | — | 9,005 | (1,141) | (6,597) |
| Intangible assets | 124 | — | (94) | 13 | 43 |
| Other | 424 | — | (572) | 57 | (91) |
| Total | <u>(10,988)</u> | <u>—</u> | <u>7,626</u> | <u>(734)</u> | <u>(4,096)</u> |

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2003, 2002 and 2001

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

25. NOTES TO CASH FLOW STATEMENTS

Cash flows from acquisition and disposal of subsidiaries:

| | 2003 Acquisition | 2002 Acquisition | 2001 Acquisition |
|---|---------------------|---------------------|---------------------|
| Cash and cash equivalents | 6,924 | 209 | — |
| Trade receivables | 4,009 | 1,611 | — |
| Inventories — net | 6,884 | 2,184 | — |
| Other current assets | 1,252 | 241 | — |
| Investments | 234 | — | — |
| Property, plant and equipment — net | 39,031 | 8,962 | — |
| Intangible assets — net | 119 | — | — |
| Deferred tax assets | 454 | — | — |
| Other non-current asset | 45 | — | — |
| Trade and other payables | (3,514) | (938) | — |
| Short-term loans | (5,045) | (2,529) | — |
| Current portion of Long-term borrowings | (450) | — | — |
| Long-term loans | (8,941) | — | — |
| Deferred tax liability | (1,004) | — | — |
| Other current liabilities | (8,431) | — | — |
| Other non-current liabilities | — | (705) | — |
| Fair value of net assets | 31,567 | 9,035 | — |
| Net assets acquired | 27,822 | 9,035 | — |
| Goodwill | 60,303 | 2,332 | — |
| Minority shares of Efes Russia acquired | 8,775 | — | — |
| Total purchase consideration | 96,900 | 11,367 | — |

The cash outflow on acquisition is as follows:

| | | | |
|---|----------|--------|---|
| Net cash acquired with subsidiary | (6,924) | (209) | — |
| Fair value of the shares of Efes Russia | (44,674) | — | — |
| Total purchase consideration | 96,900 | 11,367 | — |
| Net cash outflow | 45,302 | 11,158 | — |

26. FINANCIAL INSTRUMENTS

Financial Risk Management

Credit risk

The Group has no significant concentration of credit risk with any single counterparty or group of counter parties.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2003, 2002 and 2001

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

26. FINANCIAL INSTRUMENTS (Continued)*Interest rate risk*

The Group mainly enters into LIBOR based contracts in its financial borrowings. As of December 31, 2003, 10% of the Group's long-term debt was at fixed rates (2002 — 13%, 2001 — 7%).

The weighted average effective interest rates which are calculated from different types of currencies, as at December 31, 2003 are as follows:

| | |
|--------------------------------|----------------------------------|
| Fixed rate bank loans | 7.7% (2002 — 10.1%, 2001 — 6.7%) |
| Floating rate bank loans | 3.3% (2002 — 3.2%, 2001 — 3.7%) |
| Fixed leasing | 7.8% (2002 — 8.0%, 2001 — 8.3%) |

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, 2003 is approximately USD 85 million (2002 — USD 26 million, 2001 — USD 26 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.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2003, 2002 and 2001

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

27. LEASES

Lessee — Finance Lease

Property leased by the Group includes buildings, machinery and equipment. The most significant obligations assumed under the lease terms, other than rental payments, are the upkeep of the facilities, insurance and property taxes. Lease terms generally range from 3 to 25 years with options to renew at varying terms.

The following is an analysis of assets under finance leases:

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|------------------------------------|---------------------|--------------|--------------|
| Buildings | 4,072 | 3,773 | — |
| Machinery and equipment | 3,688 | 3,634 | 1,911 |
| Other tangible assets | 787 | 628 | — |
| Accumulated depreciation | (1,784) | (919) | (164) |
| Net book value | <u>6,763</u> | <u>7,116</u> | <u>1,747</u> |

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, 2003. As of December 31, 2003, 2002 and 2001 prepayments for the lease agreement are as follows:

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|--|---------------------|--------------|--------------|
| Prepaid lease for less than one year | 83 | 40 | 40 |
| Prepaid lease for more than one year | 1,435 | 1,162 | 967 |
| | <u>1,518</u> | <u>1,202</u> | <u>1,007</u> |

The brewery of Efes Russia 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 Russia under the loan agreements with the EBRD.

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 as being controlled by/associated with them, are referred to as related parties.

Efes Breweries International N.V. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended December 31, 2003, 2002 and 2001
(Currency — In thousands of U.S. Dollars unless otherwise indicated)

28. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

1) Balances with Related Parties

Balances with related parties as of December 31, 2003, which are separately classified in the consolidated balance sheets are as follows:

| <u>Due from related parties</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|---|-----------------|-----------------|-----------------|
| Anadolu Efes ⁽¹⁾ | 218 | 68 | — |
| Anadolu Efes Technical Management Consultancy N.V. (Anadolu Efes TMC) ⁽²⁾ .. | — | 261 | 138 |
| Efes Holland Technical Management Consultancy N.V. (Efes Holland) ⁽²⁾ | 944 | — | 250 |
| Coca-Cola Bottlers Kazakhstan Almaty (Coca-Cola Almaty) ⁽²⁾ | 556 | 481 | — |
| Coca-Cola Bishkek Bottlers C.J.S.C. (Coca-Cola Bishkek) ⁽²⁾ | 217 | 143 | — |
| Astana Coca-Cola Bottlers C.J.S.C. (Coca-Cola Astana) ⁽²⁾ | 383 | 388 | — |
| Coca-Cola Shymkent Distribution C.J.S.C. (Coca-Cola Shymkent) ⁽²⁾ | 193 | 42 | — |
| Efes Sinai Yatirim Holding A.Ş. (Efes Sinai) ⁽²⁾ | — | 500 | — |
| Interbrew Efes ⁽³⁾ | 1,896 | 2,561 | 2,427 |
| Mutena Maltery ⁽⁴⁾ | 209 | 230 | — |
| Efes Entertainment C.J.S.C. ⁽⁴⁾ | — | 321 | — |
| Total | <u>4,616</u> | <u>4,995</u> | <u>2,815</u> |
| <u>Due to related parties</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> |
| Anadolu Efes ⁽¹⁾ | 23 | 12 | 11 |
| Efpa ⁽²⁾ | 64 | 64 | 44 |
| Anadolu Efes TMC | 2,460 | — | — |
| Efes Holland ⁽²⁾ | 6,767 | 4,246 | 2,826 |
| Coca-Cola Almaty ⁽²⁾ | 75 | 21 | — |
| Coca-Cola Rostov ⁽²⁾ | 773 | 432 | 990 |
| Coca-Cola Bishkek ⁽²⁾ | — | 4 | — |
| Oyex Handels Gmbh ⁽²⁾ | 340 | 103 | 22 |
| Mutena Maltery ⁽⁴⁾ | 3,249 | 1,871 | 697 |
| Knyaz Rurik ⁽⁴⁾ | — | 640 | 830 |
| Total | <u>13,751</u> | <u>7,393</u> | <u>5,420</u> |

2) Transactions with Related Parties

The most significant transactions with related parties during the one-year period ended December 31, 2003, 2002 and 2001 were as follows:

The most significant transactions with related parties during the year ended December 31, 2003 are as follows:

- Management and license fee expense to Efes Holland⁽²⁾ amounted to USD 637.
- Sale of beer to Coca-Cola Astana⁽²⁾ amounted to USD 2,794.
- Sale of beer to Coca-Cola Bishkek⁽²⁾ amounted to USD 897.
- Sale of beer to Coca-Cola Shymkent⁽²⁾ amounted to USD 425.

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2003, 2002 and 2001

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

28. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

- Sale of beer to Coca-Cola Almaty⁽²⁾ amounted to USD 2,662.
- Interest expense on loan from Anadolu Efes TMC⁽²⁾ amounted to USD 13.
- Interest expense on loan from Anadolu Efes⁽¹⁾ amounted to USD 25.
- Processing services from Mutena Maltery⁽⁴⁾ amounted to USD 4,237.
- Provision for consulting services and rent income to Mutena Maltery⁽⁴⁾ amounted to USD 58.
- Purchase of raw materials from Oyex Handels Gbmh⁽²⁾ amounted to USD 12.
- Purchase of fixed asset from Anadolu Efes⁽¹⁾ amounted to USD 43.
- Dividend income from Mutena Maltery⁽⁴⁾ amounted to USD 206.
- Purchase of fixed assets from Coca-Cola Almaty⁽²⁾ amounted to USD 9.
- Purchase of fixed asset from Oyex Handels Gbmh⁽²⁾ amounted to USD 3.
- Purchase of materials from Coca-Cola Almaty⁽²⁾ amounted to USD 115.
- Purchase of materials from Anadolu Efes⁽¹⁾ amounted to USD 166.
- Advertising expense from Coca-Cola Almaty⁽²⁾ amounted to USD 22.
- Purchase of beer from Anadolu Efes⁽¹⁾ amounted to USD 118.
- Consultancy fee expense from Efes Invest Holland⁽²⁾ amounted to USD 5.
- Interest gain on loan to Anadolu Efes TMC⁽²⁾ amounted to USD 2.
- Management fee income from Efes Holland⁽²⁾ amounted to USD 1,136.
- Technical assistance expense to Efes Holland⁽²⁾ amounted to USD 3,226.
- Purchase of soda drinks from Coca-Cola Almaty⁽²⁾ amounted USD 2,162.
- Purchase of bottles from Coca-Cola Bishkek⁽²⁾ for USD 604.
- Purchase of chemicals, kegs and packaging material from Oyex Handels Gbmh⁽²⁾ amounted to USD 573.
- Interest gain on loan to Interbrew Efes⁽³⁾ amounted to USD 92.
- Purchase of malt from Mutena Maltery⁽⁴⁾ amounted to USD 72.
- Sale of barley to Mutena Marley⁽⁴⁾ amounted to USD 1,016.

(1) The ultimate shareholder of the Company

(2) Related party of Anadolu Efes

(3) Jointly controlled entity of the Company

(4) Company's investment

Efes Breweries International N.V. and its Subsidiaries**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2003, 2002 and 2001****(Currency — In thousands of U.S. Dollars unless otherwise indicated)****28. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)**

The most significant transactions with related parties during the year ended December 31, 2002 were as follows:

- Interest gain on loan to Anadolu Efes TMC⁽²⁾ amounted to USD 11.
- Interest gain on loan to Efes Holland⁽²⁾ amounted to USD 2.
- Technical assistance expense to Efes Holland⁽²⁾ amounted to USD 3,391.
- Purchase of marketing supply from Efpa⁽²⁾ amounted to USD 21.
- Sale of beer to Coca-Cola Almaty⁽²⁾ amounted to USD 5,458.
- Purchase of drinks from Coca-Cola Almaty⁽²⁾ amounted to USD 1,319.
- Purchase of drinks from Coca-Cola Bishkek⁽²⁾ for USD 111.
- Purchase of chemicals, kegs and packaging material from Oyex Handels Gmbh⁽²⁾ amounted to USD 269.
- Interest gain on loan to Interbrew Efes⁽³⁾ amounted to USD 134.
- Purchase of malt from Mutena Maltery⁽⁴⁾ amounted to USD 5,690.
- Sale of barley to Mutena Maltery⁽⁴⁾ amounted to USD 1,568.
- Provision of energy supply from Knyaz Rurik⁽⁴⁾ amounted to USD 143.

(1) The ultimate shareholder of the Company

(2) Related party of Anadolu Efes

(3) Jointly controlled entity of the Company

(4) Company's investments

Efes Breweries International N.V. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2003, 2002 and 2001

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

28. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

The most significant transactions with related parties during the year ended December 31, 2001 were as follows:

- Interest expense to Anadolu Efes⁽¹⁾ during 2001 amounted to USD 86.
- Interest expense to Efpa⁽²⁾ during 2001 amounted to USD 25.
- Interest income from Interbrew Efes⁽³⁾ during 2001 amounted to USD 176.
- Rent expense and settlements for beer and soft drink to C.C.Rostov⁽²⁾ during 2001 amounted to USD 1,120.
- Management fee expense to Efes Holland Technical Management Consultancy B.V.⁽²⁾ during 2001 amounted to USD 2,598.
- Expense of energy supply by OJSC Kynaz Rurik⁽⁴⁾ during 2001 amounted to USD 882.
- Purchase of processing services from Mutena Maltery⁽⁴⁾ during 2001 amounted to USD 2,694.
- Purchase of malt from Mutena Maltery⁽⁴⁾ during 2001 amounted to USD 401.
- Purchase of inventory and fixed assets from Oyex GmbH⁽²⁾ during 2001 amounted to USD 131.
- Technical services received from Efes Sinai Yatirim Holding A.S.⁽²⁾ during 2001 amounted to USD 221.

(1) Shareholder of the Company

(2) Related party of Anadolu Efes

(3) Jointly controlled entity of the Company

(4) Company's investments.

3) Emoluments of the members of the Supervisory Board and the Board of Management for the years 2003, 2002 and 2001

- a) No shares are held by the members of the Supervisory Board and the Board of Management.
- b) There are no share options granted to the members of the Supervisory Board and the Board of Management.
- c) No loans have been granted to the members of the Supervisory Board and the Board of Management.

29. COMMITMENTS AND CONTINGENCIES

Obligation to complete the production facilities

In relation to financing the new brewery constructed in Almaty by Efes Karaganda and for the capacity increase of Efes Russia, the related subsidiaries have obtained loans from the EBRD. Anadolu Efes has committed to support the completion of the related projects, though not by repaying the EBRD loans. The upper limit for Efes Karaganda is USD 9,500 and for Efes Russia, although the limit is not specified in the contract, the limit is the project amount, which is USD 17,000. Currently, the technical investment concerning the increase of capacity by Efes Russia has been completed.

Efes Breweries International N.V. and its Subsidiaries**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the year ended December 31, 2003, 2002 and 2001****(Currency — In thousands of U.S. Dollars unless otherwise indicated)****29. COMMITMENTS AND CONTINGENCIES (Continued)*****Put options***

A put option has been granted to Invesco Funds, which is related to Efes Ukraine's minority shareholder, 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 as will be owned by Invesco Funds at the time such option becomes exercisable) to the Company at an option price which will be determined by an independent valuation.

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 Russia shares to the Company at an option price determined by the higher of an independent valuation and a price to be determined by EBRD in order to give EBRD a rate of return on its investment in Efes Moscow shares equal to six months US Interbank rate plus a margin of 410 basis points per annum cumulative and compounded every six months, calculated from the date respective subscription monies were paid less any dividends or bonus shares paid to EBRD.

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 Russia shares to the Company at an option price determined by the higher of an independent valuation and a calculation based on eight times EBITDA minus Net Indebtedness per share. EBITDA means operating profit plus depreciation and amortisation plus non cash expense items up to operating profit plus other income other than extraordinary income items minus non cash income items up to operating profit minus other expenses other than extraordinary expense items. Net Indebtedness means long and short term borrowing plus payables to fixed asset suppliers plus payables to shareholders plus advances taken plus contractual contingent liabilities minus cash minus marketable securities minus advances paid. In this context, EBITDA and Net Indebtedness are to be derived from the consolidated financial statements of Efes Moscow for the 12-month period ended on (i) 31 December of any given year in case the put option is notified between 1 January and 30 June of the following year or (ii) 30 June of any given year in case the put option is notified between 30 June and 31 December of that year.

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 relevant government manages the transformation from a command to a market-oriented economy. The various legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local, regional and national tax authorities, the relevant Central Bank and the relevant Ministry of Finance. Tax declarations, together with other legal compliance areas (as examples, 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 those 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 any such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

REGISTERED OFFICE OF THE COMPANY

Efes Breweries International N.V.
Strawinskylaan 633
1077 XX Amsterdam
The Netherlands

LEAD MANAGER AND BOOKRUNNER

Credit Suisse First Boston
One Cabot Square
Canary Wharf
London E14 4QJ
United Kingdom

LEGAL ADVISORS TO THE COMPANY

As to U.S. and English Law

Baker & McKenzie
100 New Bridge Street
London EC4V 6JA
United Kingdom

As to Dutch Law

De Brauw Blackstone Westbroek N.V.
Burgerweeshuispad 301
1076 HR Amsterdam
The Netherlands

LEGAL ADVISOR TO THE MANAGERS

As to U.S. and English Law

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS
United Kingdom

INDEPENDENT AUDITORS OF THE COMPANY

Ernst & Young Accountants
Drentestraat 20
1083 HK Amsterdam
P.O. Box 7883
1008 AB Amsterdam
The Netherlands

CUSTODIAN

ING Securities Services
Van Heenvlietlaan 220
1083 CN Amsterdam
The Netherlands

DEPOSITARY

The Bank of New York
101 Barclay Street
22 West
New York, NY 10286
United States of America

