SUN Interbrew Limited and subsidiaries

Consolidated Financial Statements
December 31, 2006 and 2005

Contents

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Independent Auditors' Report

To the Board of Directors
SUN Interbrew Limited and subsidiaries

We have audited the accompanying consolidated balance sheets of SUN Interbrew Limited (the "Company") and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity and accumulated other comprehensive loss, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SUN Interbrew Limited and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG Limited.

KPMG Limited
April 26, 2007

'000 Euro	Note	2006	2005 Restated
Net sales	5	1,175,384	895,455
Cost of goods sold		(634,021)	(487,191)
Gross Margin		541,363	408,264
Selling, marketing and distribution expenses		(328,197)	(234,982)
General and administrative expenses		(68,908)	(77,053)
Operating income		144,258	96,229
Other expense		(3,499)	(2,423)
Interest expense, net		(19,423)	(19,577)
Foreign exchange (loss)/gain		(2,485)	8,716
Other financial expense		(2,535)	(2,499)
Net other expense		(27,942)	(15,783)
Income before income taxes and minority interest		116,316	80,446
Income tax expense	16	(31,773)	(17,147)
Income before minority interest		84,543	63,299
Minority interest		(1,148)	(933)
Net Income		83,395	62,366

The Consolidated Financial Statements were approved on__________.

Chief Executive Office

Chief Financial Officer

'000 Euro	Note	December 31, 2006	December 31, 2005 Restated
Cash and cash equivalents		7,254	2,031
Accounts receivable, net	7	50,992	40,535
Inventories	8	135,835	126,157
Taxes receivable		40,138	37,532
Deferred tax assets		14,368	10,252
Other current assets		17,983	13,427
Current assets		266,570	229,934
Plant and equipment, net	10	907,763	771,344
Intangible assets, net		667	1,648
Goodwill	11	120,711	127,011
Non-current deferred tax assets		-	1,802
Other non-current assets	12	1,735	3,211
Total Assets		1,297,446	1,134,950
Liabilities and Shareholders' Equity			
Accounts payable		267,754	138,632
Taxes payable		21,233	14,656
Deferred tax liabilities		2,920	2,128
Accrued expenses		16,916	18,521
Current loans and borrrowings	14	159,490	362,433
Current Liabilities		468,313	536,370
Non-current deferred tax liabilities		30,850	25,529
Non-current loans and borrowings	14	125,286	-
Other non-current liabilities		2,986	3,032
Total Liabilities		627,435	564,931
Minority interests in equity of subsidiaries		24,887	17,032
Class A Shares, one pence par; authorized 125,278,614 shares; issued 88,832,710 shares		1,422	1,422
Class B Shares, one pence par; authorized 30,000,000 shares; issued 27,796,220 shares		387	387
Additional paid-in-capital		459,105	420,075
Retained earnings		254,786	171,391
Accumulated other comprehensive loss		(70,576)	(40,288)
Shareholders' Equity		645,124	552,987
Total Liabilities and Shareholders' Equity		1,297,446	1,134,950

'000 Euro	Note	2006	2005 Restated
Operating Activities:			
Net Income		83,395	62,366
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		105,399	81,397
Other non-cash items		9,845	1,819
Changes in working capital			
Accounts receivable		(15,465)	(952)
Inventories		(12,052)	(19,682)
Other current assets		(4,556)	8,103
Taxes payable		1,447	2,398
Accounts payable		155,766	7,634
Accrued expenses		(1,605)	5,208
Net cash provided by operating activities		322,174	148,291
Investing Activities:			
Purchase of intangible assets and plant and equipment (net of proceeds from disposal)		(283,101)	(202,047)
Acquisitions of other investments		-	1,237
Net cash used in investing activities		(283,101)	(200,810)
Financing Activities:			
Net proceeds from issuance of shares		-	257
Cash contributions from related parties	3	41,935	10,000
(Redemption of)/proceeds from loans		(75,697)	38,922
Net cash (used in)/provided by financing activities		(33,762)	49,179
Effect of exchange rate changes on cash		(88)	(929)
Increase/(decrease) in cash and cash equivalents		5,223	(4,269)
Cash and cash equivalents, beginning of the period		2,031	6,300
Cash and cash equivalents, end of the period		7,254	2,031

'000 Euro	Note	Share Capital Class "A" shares	Share Capital Class "B" shares	Additional Paid-in Capital	Retained Earnings	Accumulated other comprehensive loss	Total
Balances at December 31, 2004		1,421	387	357,679	109,025	(85,998)	382,514
Net income (as restated)		-	-	-	62,366	-	62,366
Other comprehensive income: Translation difference		-	-	-	-	45,710	45,710
Total comprehensive income		-	-	-	-	-	108,076
Contribution of Interbeer	3.1.	-	-	62,400	-	-	62,400
Result of increase in share capital of NSD	3.3.	-	-	(260)	-	-	(260)
Proceeds from share issue		1	-	256	-	-	257
Balances at December 31, 2005 (as restated)		1,422	387	420,075	171,391	(40,288)	552,987
Net Income		-	-	-	83,395	-	83,395
Other comprehensive loss: Translation difference		-	-	-	-	(30,288)	(30,288)
Total comprehensive income		-	-	-	-	-	53,107
Effect of issue of new shares by Interbeer	3.1.	-	-	41,935	-	-	41,935
Acquisition of shares in OJSC SUN Interbrew by Interbrew International B.V.	3.1.	-	-	(20,463)	-	-	(20,463)
Effect of cancellation of leasing agreement with Botural Ltd.	3.2.	-	-	14,727	-	-	14,727
Effect of acquisition of shares in OJSC "SUN Interbrew Ukraine"	3.3.	-	-	(436)	-	-	(436)
Effect of merger of Ukraine entities in 2006	3.3	-	-	3,267	-	-	3,267
Balances at December 31, 2006		1,422	387	459,105	254,786	(70,576)	645,124

1. Description of Business

SUN Interbrew Limited (the "Company") is incorporated in Jersey, the Channel Islands, and has through holding companies incorporated in Jersey, the Netherlands and Cyprus a controlling interest in 12 breweries (referred to collectively as the "Group") in the Russian Federation ("Russia") and Ukraine. The Group manufactures, markets and distributes beer, malt and soft drinks.

As at December 31, 2005 the Company's voting shares (Class "B") were 100% owned and controlled by InBev and non-voting shares (Class "A") were 99.7% owned and controlled by InBev.

As at December 31, 2006 the Company's voting shares (Class "B") were 100% owned and controlled by InBev and non-voting shares (Class "A") were 99.83% owned and controlled by InBev.

2. Summary of Significant Accounting Policies

2.1. Basis of Presentation

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

The majority-owned subsidiaries incorporated under the laws of Russia and Ukraine (the "Russian subsidiaries" and "Ukrainian subsidiaries") maintain accounting records and prepare their financial statements in Russian Roubles ("RUR") and Ukrainian Hryvnas ("UAH") in accordance with the requirements of Russian and Ukrainian accounting and tax legislation respectively. The financial statements of the Russian and Ukrainian subsidiaries included in these consolidated financial statements differ from those prepared for Russian and Ukrainian statutory purposes. They reflect certain adjustments not recorded in the statutory accounting of the Russian or Ukrainian subsidiaries, which are appropriate to present the financial position, results of operations and cash flows in accordance with US GAAP.

2.2. Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and the majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

2.3. Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognized as part of additional paid-in-capital. Any cash paid for the acquisition is recognized directly in equity.

2.4. Use of Estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet date as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2.5. Going Concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments should the Group be unable to continue as a going concern.

2.6. Foreign Currency Translation

The functional currencies of the Russian and Ukrainian subsidiaries are the Russian Ruble and Ukrainian Hryvna respectively. Management of the Company has elected to use the Euro as the reporting currency for the consolidated financial statements.

At the reporting dates, translation from the functional currency was conducted as follows:

- All assets and liabilities were translated from the functional to the reporting currency at the exchange rate effective at the reporting date;
- Equity items were translated from the functional to the reporting currency at historical exchange rates;
- Transactions in the income statement were translated from the functional currency to the reporting currency at rates approximating the exchange rates on the date of the transactions;
- Translation differences were included in other comprehensive loss in equity.

Exchange rates changed from 34.2 RUR and 5.97 UAH for 1 Euro respectively at December 31, 2005 to 34.7 RUR and 6.65 UAH for 1 Euro respectively at December 31, 2006. The 2006 average exchange rate was RUR 34.12 and UAH 6.33 for 1 Euro respectively.

The Russian Rouble and Ukrainian Hryvna are not fully convertible currencies outside the territories of Russia and Ukraine. Accordingly, the translation of amounts recorded in these currencies into Euro should not be construed as a representation that such currency amounts have been, could be or will in the future be converted into Euro at the exchange rates shown or at any other exchange rates.

2.7. Cash and Cash Equivalents

The Group's cash at December 31, 2005 and 2006 consists of cash in banks and cash in transit.

2.8. Receivables

Receivables are stated at cost, less allowance for doubtful accounts.

2.9. Inventories

Inventories are valued at the lower of cost or market value. The cost of inventories is determined on a first-in, first-out (FIFO) basis and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and their condition. The cost of manufactured inventories and work in progress includes an appropriate share of overheads based on normal operating capacity.

2.10. Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Costs include major expenditures for improvements and replacements, which extend the useful lives or increase capacity, and interest costs associated with significant capital additions. Depreciation of production assets is included in cost of goods sold. Normal maintenance and repairs are expensed. Depreciation is computed under the straight-line method using estimated useful lives as follows:

Buildings	10 to 20 years
Machinery and equipment	8 to 15 years
Transportation and office equipment	3 to 10 years
Returnable packaging	5 to 10 years

2.11. Goodwill

Goodwill, which represents the excess of the purchase price over the fair value of net assets acquired, is not amortized but tested annually for impairment. The amount of goodwill impairment is measured on projected discounted future operating cash flows.

2.12. Other non-current assets

Investments in non-marketable securities where the Company does not exercise control or significant influence over the investee are carried at cost less allowance for any permanent diminution in value. These investments are classified as available-for-sale securities.

2.13. Impairment

Long-lived assets, such as property, plant and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset against the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Goodwill and intangible assets not subject to amortization are tested annually for impairment. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value.

A decline in the fair value of any available-for-sale security that is deemed to be other than temporary, results in a reduction of the carrying amount to fair value. The impairment is charged to the Income statement and a new cost basis for the security is established.

2.14. Current loans and borrowings

Current loans and borrowings consists primarily of current loans and overdraft facilities from banks.

2.15. Revenue Recognition

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, collection of the relevant receivable is probable persuasive evidence of an arrangement exists and the sale price is fixed or determinable. Revenue is presented net of taxes collected from customers and remitted to governmental authorities (VAT, excise taxes).

2.16. Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

2.17. Advertising

Advertising costs are charged to the income statement as incurred.

2.18. Stock-Based Compensation

The Group has adopted the provisions of Statement of Financial Accounting Standards 123, "Accounting for Stock-Based Compensation" ("SFAS 123") and accounts for stock-based compensation using the fair value method. Under the fair value method, stock based compensation is measured at the grant date based on the value of the award and is recognized in compensation costs over the service period.

2.19. Basic and Diluted Earnings Per Share

Basic earnings per share is based on the weighted average number of ordinary (common) shares outstanding during the period. Diluted earnings per share is based on the weighted average number of ordinary (common) shares and ordinary (common) share equivalents (stock options and convertible shares) outstanding during the period.

2.20. Russian and Ukrainian business environment

The Group's principal operating activities are within Russia and Ukraine. Both countries have been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Russia and Ukraine involve risks that typically do not exist in other markets. The consolidated financial statements reflect management's assessment of the impact of the Russian and Ukrainian business environments on the operations and the financial position of the Group. Future business environments may differ from management's assessment.

2.21. Recently adopted accounting standards

Effective January 1, 2006, the Company adopted FASB Statement No. 151, Inventory Costs – an Amendment of ARB No. 43, Chapter 4 (Statement 151). Statement 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) requiring that those items be recognized as current-period charges. In addition, Statement 151 requires that allocation of fixed production overheads be based on the normal capacity of the production facilities. The Company's current procedures follow these guidelines and therefore the adoption of Statement 151 had no impact on the valuation of inventory or charges to cost of sales.

Effective January 1, 2006, the Company adopted the disclosure requirements of EITF Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (that is, gross versus net presentation) for tax receipts on the face of their income statements. The scope of this guidance includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to, sales, use, value added, and some excise taxes (gross receipts taxes are excluded). The Company has historically presented such taxes on a net basis.

3. Transactions under common control

3.1. Contribution of Interbeer

In August 2005 InBev, which is the controlling shareholder for the Company, acquired several entities, commonly known as "Tinkoff Group". These entities included LLC "Interbeer", a production entity and two Cyprus holding companies. During 2006 the Company received control over LLC "Interbeer" by the merger of it with OJSC "SUN Intrebrew", the production entity of the Group. Comparative financial information for 2005 has been restated to include the financial position of LLC "Interbeer" and the results of its operation at and for the period from August 2005 until 31 December 2005. The inclusion of LLC "Interbeer" has been accounted for as a contribution as of August 2005 being recorded directly in equity in the amount of Euro 62,400 thousand, which was composed of:

'000 Euro	
Property, plant and equipment	76,757
Other non-current assets	754
Inventories	1,915
Trade and other receivables	12,818
Non-current interest bearing loans and borrowings	(42,162)
Finance lease liability to related party	(39,029)
Trade and other payables	(14,724)
Net liabilities at the date of contribution	(3,671)
Goodwill arising on acquisition of LLC "Interbeer" by the Parent	66,071
Net contribution recognized in additional paid in capital in 2005	62,400

LLC "Interbeer"'s net loss for the period from August 2005 untill 31 December 2005 amounting to Euro (3,189) thousand was included into the consolidated net profit for 2005.

In 2006 LLC "Interbeer"'s organizational status was changed to a closed joint stock company (CJSC), after which moment CJSC "Interbeer" issued additional shares for cash amounting to Euro 41,935 thousand to Interbrew International B.V., a related party. Interbrew International B.V. exchanged all its shares in CJSC "Interbeer" for an equity share in the combined entity (OJSC "SUN Interbrew" and CJSC "Interbeer") amounting to Euro 20,443 thousand.

3.2. Cancellation of a finance lease agreement between the Group and the related party.

At the date of acquisition of the Tinkoff group by InBev, LLC "Interbeer" leased tangible fixed assets from another entity of the Tinkoff group under a finance lease agreement.

In August 2006 the finance lease agreement between the Group and this related party was cancelled and replaced with a new purchase agreement, where the purchase price of the equipment was determined at

Euro 34,333 thousand. The finance lease liability at the date of cancellation was Euro 49,060 thousand. The net result of cancellation in the amount of Euro 14,727 thousand was recognized in equity as a controlling shareholder's contribution.

3.3. Merger of Ukrainian Group subsidiaries into one legal entity.

In July 2005 the Ukrainian subsidiary –NSD made an additional share issuance in the amount of Euro 10,000 thousand that was fully purchased by Interbrew International BV, a related party. As a result the Group's share in NSD decreased from 100% to 8.22%. The result of the increase of the share capital of NSD amounting to Euro (260) thousand was recognized in equity in 2005.

In 2006 three Ukrainian production entities which were owned by the Company and NSD were merged into one legal entity- OJSC "SUN Interbrew Ukraine". A reduction of minority interest in OJSC "SUN Interbrew Ukraine" in the amount of Euro 3,267 thousand was recognized in equity as a result of this transaction.

Thereafter, the Company, through a wholly-owned subsidiary, acquired all shares held by Interbrew International B.V. in the combined entity for Euro 10 million, thereby re-acquiring its control over the Ukrainian companies at the balance sheet date. The result of the acquisition of all shares in NSD from Interbrew International B.V. in the amount of (436) thousand was recognized in equity in 2006.

The comparative financial information for 2005 was restated to present the results of operations and the financial position of NSD as at and for the year ended December 31, 2005. The net profit of NSD from July 2005 untill December 31, 2005 amounting to Euro 894 thousand was included into the consolidated net profit for 2005.

4. Other restatements

4.1. Reversal of management fees

In 2005 the Company accrued management fees in the amount of Euro 10,091 thousand in favor of the former shareholder. Such management fees were recorded within administrative expenses and cost of goods sold. In 2006 management came to a conclusion that such management fees were no longer payable by the Company and, consequently, should not have been accrued in 2005. The error has been corrected retrospectively and resulted in an increase of net profit for 2005 and corresponding decrease in "Trade and other payables" as at and for the year ended 31 December 2005 by Euro 10,091 thousand.

5. Net Sales

Net sales for the years ended December 31, 2006 and 2005 consisted of the following:

'000 Euro	2006	2005 Restated
Beer	1,169,851	893,881
Soft drinks	5,533	1,574
	1,175,384	895,455

Sales are organized around two main geographic areas: Russia and Ukraine. The external revenue in these geographical areas was as follows:

'000 Euro	2006	2005 Restated
Russia	888,244	667,782
Ukraine	287,140	227,673
Total	1,175,384	895,455

6. Administrative expenses

Administrative expenses include salary expense, social contributions, rent and service expenses. Included in administrative expenses for 2005 are costs relating to repurchase of the stock-option plans in the amount of Euro 18.2 million. No such costs have been incurred in 2006.

7. Accounts Receivable

Accounts receivable as of December 31, 2006 and 2005 consisted of the following:

'000 Euro	2006	2005 Restated
Accounts receivable	54,876	44,646
Less: allowance for doubtful debts	(3,884)	(4,111)
Accounts receivable, net	50,992	40,535

The movement in the allowance for doubtful debts is as follows:

'000 Euro	2006	2005 Restated
Allowance for doubtful debts - beginning of the year	4,111	5,175
Effect of contribution of ZAO "Interbeer"	-	231
Release to other operating expense	(227)	(1,295)
Allowance for doubtful debts – end of year	3,884	4,111

8. Inventories

Inventories as of December 31, 2006 and 2005 consisted of the following:

'000 Euro	2006	2005 Restated
Raw materials	67,538	73,294
Produced malt	21,295	12,403
Work-in-process	7,780	6,194
Finished goods	26,366	23,164
Other (spare parts and point of sales materials)	12,856	11,102
	135,835	126,157

9. Other Current Assets

Other current assets as of December 31, 2006 and 2005 consisted of the following:

'000 Euro	2006	2005 Restated
Advances to suppliers	15,491	9,691
Deposits and prepayments	2,492	3,736
	17,983	13,427

10. Plant and Equipment

Plant and equipment as of December 31, 2006 and 2005 consisted of the following:

'000 Euro	2006	2005 Restated
Buildings	176,194	158,585
Machinery and equipment	653,577	555,653
Transportation and office equipment	177,915	129,651
Packaging materials	51,195	36,450
Construction-in-progress	210,830	166,358
Cost of plant and equipment	1,269,711	1,046,697
Less: accumulated depreciation and impairment losses	(361,948)	(275,353)
Plant and equipment, net	907,763	771,344

Accumulated depreciation and impairment losses include impairment losses for the year of Euro 7 million (2005: Euro 7.3 million).

In 2006 interest costs of Euro 9.9 million were capitalized (2005: Euro 8.8 million).

11. Goodwill

Goodwill as of December 31, 2006 and 2005 consisted of the following:

'000 Euro	2006	2005 Restated
Cost as of January 1, 2006 and 2005	127,011	56,078
Effect of "Interbeer" contribution	-	66,071
Foreign exchange difference	(6,300)	4,862
Goodwill	120,711	127,011

12. Other non-current assets

Other non-current assets as of December 31, 2006 and 2005 consisted of the following:

'000 Euro	2006	2005 Restated
Non-current receivables	1,064	2,395
Equity securities available-for-sale	298	109
Other	373	707
Other non-current assets	1,735	3,211

13. Related Party Transactions

The Group has entered into various service agreements with other entities of InBev. These services include management support, general technical assistance, provision of loans, publicity, marketing, use of brands and various other services. The amount of the service fees is agreed annually between the parties. During 2006 and 2005, service expenditures amounted to Euro 49.5 million and Euro 21.8 million, respectively, under these agreements. Interest expense to related parties amounted to Euro 4,261 thousand (2005: Euro 4,864 thousand).

Purchases from other related parties amounted to Euro 2.9 million for 2006 (2005: Euro 8.4 million).

As at December 31, 2006 and 2005 the outstanding balances with related parties were as follows:

'000 Euro	2006	2005 Restated
Accounts receivable	1,310	-
Other receivables	1,793	-
Accounts payable	99,210	16,636
Finance lease liability	-	45,347
Other payables	488	1,064
Current interest-free loans from related parties	-	43,280
Non-current loans from related parties at 4.1% per annum	10,001	-

Refer Note 3 for other transactions with related parties.

14. Loans and borrowings

Loans and borrowings as of December 31, 2006 and 2005 consisted of the following:

'000 Euro	2006	2005 Restated
Current loans payable, including interest payable	159,490	246,021
Current unsecured bonds issued	-	73,132
Current interest-free loans from related parties	-	43,280
	159,490	362,433
Non-current unsecured bonds issued	115,285	-
Non-current loans from related parties	10,001	-
	125,286	-

As of December 31, 2006, the Group had multi-currency credit facility agreements for the equivalent amount of Euro 159 million with international banking institutions. Short-term indebtedness consisted of Rouble denominated loans and accrued interest equivalent to Euro 95,3 million with an average interest rate of 6.33% and Hryvna denominated loans and accrued interest equivalent to Euro 64.2 million with an average interest rate of 10.5%.

In September 2003, the Group issued bonds, with a coupon interest of 13.75% which was re-priced annually. The number of bonds issued was 2,500,000 with a par value RUR 1,000 with a total bond obligation of RUR 2,500 million. These bonds matured in August 2006 and were fully redeemed, together with interest due.

In August 2006 the Group issued bonds with a coupon interest of 8%. The number of bonds issued was 4,000,000 with a par value of RUR 1,000 and a total bond obligation of RUR 4,000 million (Euro 115.3 million). The maturity date of these bonds is September 2009. Coupon interest is payable semi-annually.

15. Post Retirement Benefits payable

Russian and Ukrainian entities are required by federal laws to contribute an amount to state pension funds. The Group's contributions are approximately 20% of the employees' salaries for Russia and 32% for Ukraine, respectively (2005: 21% for Russia and 32% for Ukraine). The contributions are accounted for on an accrual basis, and totalled Euro 15.7 million and Euro 9.4 million for 2006 and 2005, respectively.

In 2005 the Russian entity has entered into a defined contribution pension plan. All employees working for more than three years with the entity become members of this plan. The Company's contributions are limited to a fixed percentage of the member's salaries and amounted to Euro 1.8 million for 2006.

16. Income Taxes

Income taxes are provided for based on taxable income and the varying tax rates applicable in Russia, Ukraine, the Netherlands, Jersey and Cyprus. Certain costs and expenses, including some types of employees' compensation, benefits, and interest, which are included as expenses in the consolidated income statement are not deductible when determining taxable income. The Company and certain of its subsidiaries, which are registered in Jersey, the Channel Islands, have been granted "Exempt Company" status and are exempt from Jersey income taxes.

The statutory income tax rate applicable to the Russian subsidiaries is 24% (2005: 24%). The statutory income tax rate applicable to the Ukrainian subsidiaries is 25% (2005: 25%).

The reconciliation of the income tax expense for the year compared to the amount of income tax expense that would result from applying the statutory tax rate in Jersey to the income before taxes is as follows:

'000 Euro	2006	2005 Restated
Income before tax	116,316	80,446
Expected tax expense at Jersey tax rate (0%)	-	-
Effect of different tax rates in different jurisdictions:		
Russian operations	21,142	5,568
Ukrainian operations	10,436	7,189
Other international operations	(618)	(659)
Tax concessions for capital investments in Russian operations	(879)	(230)
Net non-taxable income and non-deductible expenses	1,692	5,279
Income tax expense	31,773	17,147

'000 Euro	2006	2005 Restated
Current tax expense	29,201	12,702
Deferred tax expense	2,572	4,445
Income tax expense	31,773	17,147

As at December 31, 2006 and 2005 temporary differences that give rise to deferred tax liabilities and assets were comprised of the following:

'000 Euro	2006	2005 Restated
Deferred tax assets:		
Other assets	1,679	-
Accrued expenses	12,689	8,816
Tax loss carry forwards	-	1,436
Total gross deferred tax assets	14,368	10,252
Deferred tax liabilities:		
Plant and equipment	(30,850)	(22,593)
Inventories	(2,920)	(2,128)
Other assets and liabilities	-	(3,173)
Total gross deferred tax liabilities	(33,770)	(27,894)
Net deferred tax liability	(19,402)	(17,642)

Realisation of deferred tax assets is dependent on future reversals of existing taxable temporary differences and adequate future taxable profit. Although realisation is not assured, management believes that it is more likely than not that the deferred tax assets will be realised. The amount of the deferred tax assets is considered realisable, however, could be reduced in the near term if actual future taxable income is lower than estimated, or if there are differences in the timing or amount of future reversals of existing taxable temporary differences.

17. Tax contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions. These are often unclear, contradictory and subject to varying levels of interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a fiscal year may remain open for longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation. These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

18. Commitments

At December 31, 2006 and 2005 the Group had outstanding contractual commitments totaling approximately Euro 99 million and Euro 44.9 million respectively, to purchase property, plant and equipment. In addition, the Group had commitments to purchase raw materials worth Euro 26 million at December 31, 2006 and Euro 44.0 million at December 31, 2005.

19. Litigation contingencies

A Russian subsidiary together with a third party act as a co-defenders in a lawsuit filed by one of the suppliers of equipment in an Austrian court. The total amount of the claim raised by the supplier is Euro 12.5 million. Subsequent to the balance sheet date, the court decided that the Group subsidiary is not subject to the Austrian jurisdiction. The supplier may continue the legal proceeding in a Russian court.

A Ukrainian subsidiary acts as a claimant and defender in a lawsuit against a former supplier of construction services. The total amount of the claim of the supplier, including penalties is approximately Euro 13.5 million.

Management has not recorded any liability in respect of these litigations, because it believes that it is more likely than not that it will be able to sustain its position in a court. However, litigation is subject to inherent uncertainties and unfavorable rulings could occur.

20. Earnings Per Share

The reconciliation of basic earnings per share and diluted earnings per share for the year ended December 31, 2006 and 2005 are as follows:

2006	Net income (Numerator) '000 Euro	Shares (Denominator)	Per share-amount Euro
Basic EPS			
Income available to ordinary (common) shareholders	83,395	116,628,930	0.72
Diluted EPS			
Income available to ordinary (common) shareholders	83,395	116,628,930	0.72

2005 Restated	Net income (Numerator) '000 Euro	Shares (Denominator)	Per share-amount Euro
Basic EPS			
Income available to ordinary (common) shareholders	62,366	116,615,149	0.53
Diluted EPS			
Income available to ordinary (common) shareholders and assumed conversions	62,366	116,615,149	0.53

In accordance with the Russian and Ukrainian legislation, distributable reserves are limited to the amount of retained earnings of the Russian and Ukrainian subsidiaries as determined in accordance with the statutory accounting principles. The amount of accumulated retained earnings available for distribution as of 31 December 2006 was Euro 193,082 thousand.

21. Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. The Group does not hedge its exposure to such risk.

21.1. Credit risk

The Group does not require collateral in respect of financial assets. Credit evaluations are performed on all customers, other than related parties, requiring credit over a certain amount. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

21.2. Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

21.3. Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the respective Group entities. The currencies giving rise to this risk are primarily USD and Euro.

21.4. Fair values

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and current loans and borrowings approximate their fair value because of the short maturity of these instruments.

The non-current bonds were traded at 100,16% of their nominal value at the balance sheet date. The resulting fair value of the bonds was Euro 115,470 thousand at the balance sheet date.

22. Subsequent events

No significant subsequent events occurred after the balance sheet date.

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