

**SUN Interbrew Plc**

**Annual Report and  
Consolidated Financial Statements  
for the year ended 31 December 2013**

# SUN Interbrew Plc

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# **SUN Interbrew Plc**

## **Board of Directors and other officers**

Andrii Gubka – Director and Chief Executive Officer (“CEO”)  
Nand Khemka – Director (Chairman of the Board)  
Shiv Khemka – Director  
Uday Khemka – Director  
Denis Khrenov – Director and Chief Legal Officer (“CLO”)  
Oleksandr Balakhnov – Director and member of the Audit Committee and Nomination and Remuneration Committee  
Anton Chvanov – Director and Chief Financial Officer (“CFO”) and member of the Audit Committee and Nomination and Remuneration Committee (appointed 26 February 2013)  
Inna Ivanova – Director (appointed 11 November 2013)  
Dmytro Shpakov – Director (appointed 11 November 2013)  
Oraz Durdyev – Director and member of the Audit Committee and Nomination and Remuneration Committee  
Inter Jura CY (Directors) Limited – Director and member of the Audit Committee and Nomination and Remuneration Committee  
Inter Jura CY (Management) Limited – Director  
Anna Gorodilova – Director (resigned 26 February 2013)  
Liudmila Nakonechnaya – Director (resigned 11 November 2013)  
Matias Tavella – Chief Financial Officer (“CFO”)(resigned 11 November 2013)

## **Company Secretary**

**Inter Jura CY (Services) Limited**  
1 Lampousa Street  
CY-1095 Nicosia  
Cyprus

## **Registered office**



1 Lampousa Street  
CY-1095 Nicosia  
Cyprus

### **Declaration of Directors and other responsible officers of the Company for the preparation of the Consolidation Financial Statements**

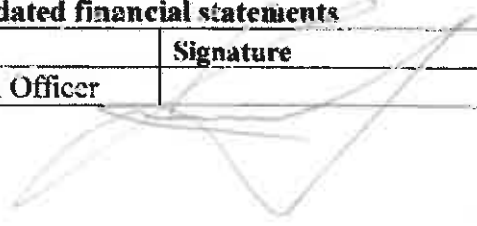
In accordance with Section 9 sub-sections (3 (c)) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 as amended (the "Law") we, the members of the Board of Directors and the other responsible persons for the consolidated financial statements of SUN Interbrew Plc (the "Company") for the year ended 31 December 2013, confirm that, to the best of our knowledge:

- (a) the annual consolidated financial statements which are presented on pages 15 to 61:
- (i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and in accordance with the provisions of Section 9, sub-section (4) of the Law, and
  - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of SUN Interbrew Plc and the businesses that are included in the consolidated accounts as a total and
- (b) the Board of Directors' report provides a fair view of the developments and the performance of the business as well as the financial position of the Company and the undertakings included in the consolidated accounts as a total, together with a description of the main risks and uncertainties that are facing.

#### **Members of the Board of Directors**

<b>Name and surname</b>	<b>Signature</b>
Andrii Gubka – Director and Chief Executive Officer	
Nand Khemka - Chairman	
Shiv Khemka – Director	
Uday Khemka – Director	
Inna Ivanova - Director	
Denis Khrenov – Director and Chief Legal Officer	
Dmytro Shpakov – Director	
Oraz Durdyev – Director	
Anton Chvanov – Director and Chief Financial Officer	
Oleksandr Balakhnov – Director	
Inter Jura CY (Directors) Limited – Director	
Inter Jura CY (Management) Limited – Director	

#### **Responsible for the preparation of the consolidated financial statements**

<b>Name and surname</b>	<b>Position</b>	<b>Signature</b>
Anton Chvanov	Chief Financial Officer	

## Report of the Board of Directors

1 The Board of Directors presents its report together with the audited consolidated financial statements of SUN Interbrew Plc (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2013.

### Principal activities

2 The principal activities of the Group, which are unchanged from last year, are manufacturing, marketing and distribution of beer and soft drinks.

### Review of developments, position and performance of the Group's business

3 The loss of the Group for the year ended 31 December 2013 was EUR 68,320 thousand (2012: EUR 76,246 thousand). The primary part of the loss is due to net revenue reduction of EUR 212,777 thousands driven mainly by the overall industry decline and interest expense in the amount of EUR 38,276 thousand for loans and other borrowings and service fee costs of EUR 20,112 thousand. On 31 December 2013 the total assets of the Group were EUR 1,152,662 thousand (2012: EUR 1,422,159 thousand) and the net assets were EUR 341,512 thousand (2012: net assets EUR 525,023 thousand). The financial position, development and performance of the Group as presented in these consolidated financial statements are as expected.

### Principal risks and uncertainties

4 The principal risks and uncertainties faced by the Group are disclosed in Notes 1, 2, 24 and 27 of the consolidated financial statements.

### Future developments of the Group

5 The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Group in the foreseeable future aside from those disclosed in the business environment section included herein.

### Results

6 The Group's results for the year are set out on page 16 of the consolidated financial statements. The loss for the year is carried forward.

### No substantial difference of results from indicative results published

7 The loss for the year as presented on page 16 of the consolidated financial statements is the same as presented in the preliminary results announced on 26 February 2014.

### Dividends

8 On 28 August 2013 the Board of Directors approved the payment of interim dividends of EUR 0.98 for each issued and fully paid Class A share and for each issued and fully paid Class B share, amounting to EUR 114,296 thousand. The dividends were fully paid by the 31<sup>st</sup> of October 2013.

## Report of the Board of Directors (Continued)

### Share capital

9 There were no changes in the share capital of the Company during the year. The authorised share capital which amounts to GBP 1,552,786 is divided into 125,278,614 class A shares of GBP 0.01 each and 30,000,000 class B shares of GBP 0.01 each.

10 The current number of issued shares is 116,628,930 including A class shares (non-voting) of 88,832,710 and B class shares (voting) of 27,796,220. The titles issued by the Company and their ISIN number are as follows:

	ISIN
144A Class A GDR	US86677C1045
Regulation S EURO Class A GDR	US86677C4015
Regulation S Class A GDR	US86677C3025
144A Class B GDR	US86677C2035
Regulation S Class B GDR	US86677C7083
Class A share	GB0057139940
Class B share	GB0049659120

11 The shares/GDRs of which are listed on the Luxembourg Stock Exchange, and its GDRs are admitted to trading on the over-the-counter markets ("Freiverkehr") of the Berlin Stock Exchange, Stuttgart Stock Exchange and Frankfurt Stock Exchange.

12 As of 31 December 2013 the Group, which is beneficially owned by Anheuser-Busch InBev, had the following shareholders' structure. This structure remained unchanged as of five days before the date of approval of these consolidated financial statements.

#	Name	A	B	Total	%
1	InBev S.A.	2,859,843	2,765,718	5,625,561	4.8235
2	InBev Belgium N.V./S.A.	-	1	1	0.0001
3	Brandbrew S.A.	-	1	1	0.0001
4	Interbrew International B.V.	-	1	1	0.0001
5	Worldoor Limited	70,154,537	9,519,598	79,674,135	68.3142
6	Hancock Venture Partners Inc.	30,545	30,545	61,090	0.0524
7	Bank of New York (Nominees) Limited - London	745,384	-	745,384	0.6390
8	Bank of New York (Nominees) Limited - New York	15,042,401	15,480,356	30,522,757	26.1706
		88,832,710	27,796,220	116,628,930	100.0000

13 It is noted that for a valid transfer of shares to take place, the name of the transferee must be entered in the register of members in respect thereof.

14 The Class A shares of the Company have no right of conversion or redemption. The special rights, restrictions and provisions applicable to the Class A shares are as follows:

- The dividends on the Class A shares in any year shall be paid in an amount not less than and in equal priority to the dividend payable to the holders of Class B shares.

## Report of the Board of Directors (Continued)

### Share capital (continued)

- On winding up of the Company, the surplus assets available for distribution shall be distributed proportionately amongst the holders of the Class A shares and the holders of Class B shares according to the amounts of their respective holdings of such shares in the Company.
- The holders of the Class A shares have a right to receive notice of and to attend any shareholder meeting of the Company, but do not have a right to vote at shareholders' meetings, other than at class meetings of the holders of Class A shares, which are necessary in respect of certain matters affecting the rights of the holders of Class A shares.

15 The Class B shares of the Company have no restrictions on voting rights.

### Board of Directors

16 The members of the Board of Directors at 31 December 2013 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2013 except Mr Matias Tavella and Mrs Liudmila Nakonechnaya, who resigned on 11 November 2013 and Mrs Anna Gorodilova who resigned on 26 February 2013. Mrs Inna Ivanova and Mr Dmitro Shpakov were appointed on 11 November 2013. Mr Anton Chvanov was appointed as a Director and a Chief Financial Officer on 26 February 2013.

17 There being no requirement in the Company's Articles of Association for retirement of Directors by rotation, all the Directors remain at office.

### Directors' interests in the Company's share capital

18 Directors have no material direct or indirect shareholding in the Company's share capital or share options (including their spouse, children and companies in which they hold directly or indirectly at least 20% of the shares with voting rights in a general meeting) both at the end of the financial year and 5 days before the date the financial statements are approved by the board of Directors.

### Branches

19 The Group did not operate through any branches during the year.

### Events after the balance sheet date

20 Other than as disclosed in Note 30 to the consolidated financial statements, there were no material post balance sheet events, which have a bearing on the understanding of the consolidated financial statements.

### Independent Auditors

21 The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

**Statement on Corporate governance pursuant to paragraph 5 of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission regarding the contents of the Annual Financial Report (the “Directive”) and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the “Law”).**

Paragraphs 5(a) – (c) of the Directive – Corporate Governance

22 The Company is voluntarily subject to the provisions of the Corporate Governance Charter, adopted by the Board of Directors at the meeting of the Board of Directors held on 12 August 2012, which is available to the public on the Company’s website: [www.suninterbrew.com](http://www.suninterbrew.com).

23 The Company is not required to comply with the provisions of the corporate governance code of the Luxembourg Stock Exchange, although, the Corporate Governance Charter it applies, is generally based on the “Ten Principles of Corporate Governance” of the Luxembourg Stock Exchange. The Company has voluntarily applied corporate governance practices, mentioned in the Corporate Governance Charter. The Articles of Association of the Company further provide for the powers, duties and procedures of the Directors, and are also available on the Company’s website, as cited above.

Paragraph 5(d) of the Directive – description of the main features of the issuers’ internal control and risk management systems in relation to the composition, preparation and drafting of the periodic information of Part II of the Law

24 The periodic information referred to in Part II of the Law, comprises of the annual financial report, the half-yearly financial report, the first and second semester interim management statements, and the indicative results. Issuers whose titles are admitted to trading on a regulated market are obliged to prepare and disclose such information in accordance with the provisions and the time schedules stipulated in Part II of the Law. Moreover, and as stipulated in Part II of the Law, the financial reports of the Company and of the Group are prepared based on the applicable International Accounting Standards, the Law, as well as the provisions of the Companies Law, Cap. 113 in order to provide a true and fair picture of the financial affairs of the Company and the Group, respectively.

25 The Secretary, the professional advisers of the Company along with the Board of Directors through the use of adequate control procedures and risk management, ensure the lawful drafting, preparation, compilation and publication of periodic information, which is required based on the above.

26 The Compliance Officers of the Company in relation to the obligations of the Law, ensure the timely publication of the necessary periodic information, and that this information includes the information required by the Law. This information is disclosed in accordance with the manner and time schedules set out in the Law and the relevant Transparency Directives. Finally, it should be noted that, pursuant to the Law, the Annual Financial Reports of the Group and the Company are audited by the External Auditors of the Company, PricewaterhouseCoopers Limited, in accordance with the provisions of the Companies Law and the applicable International Accounting Standards.

Par. 5(e) of the Directive: Significant shareholders holding the Company’s share capital

27 See above Board of Directors’ Report, under “Share Capital”.

Par. 5(f) – (g) of the Directive: types of shares and attached rights

28 See above Board of Directors’ Report under “Share Capital” regarding special rights attributed to classes of shares.



## Report of the Board of Directors (Continued)

**Statement on Corporate governance pursuant to paragraph 5 of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission regarding the contents of the Annual Financial Report (the “Directive”) and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the “Law”) (continued)**

### Par. 5(h) of the Directive: Rules governing the appointment and replacement of Board Members and the amendment of the Articles of Association

29 According to the Article 76 of the Articles of Association of the Company, the minimum number of directors shall be two and the maximum number shall be fifteen. Directors are appointed either by the general meeting of shareholders or by the board of directors. Pursuant to Articles 98 – 101 of the Articles of Association of the Company, the Company at a general meeting may appoint any person to be a director and to determine the period for which such person is to hold office. Further, the Company may, by ordinary resolution of which special notice has been given in accordance with Section 136 of the Cypriot Companies Law, remove any director before the expiration of his period of office.

30 In accordance with the provisions of the Cypriot Companies Law, the Company may, by special resolution, amend its Articles of Association. A special resolution may be approved by a majority not less than three quarters of the shareholders present which are entitled to vote at a general meeting, for which a suitable notification of at least twenty one days has been given, determining the intention to propose the resolution as a special resolution.

### Par. 5(i) of the Directive: the powers of the members of the Board of Directors

#### **Competences of the Board**

31 The powers and duties of the Directors are stated in Articles 83 – 96 of the Articles of Association of the Company and the Corporate Governance Charter.

32 According to the above, the Board is vested with the broadest powers to perform all acts necessary or useful for accomplishing the Company's purposes. All powers not expressly reserved by law to the general meeting of shareholders are in the competence of the Board.

33 The Board provides effective support for and control of the activities of the executive management of the Company.

34 The Board of Directors, subject to approval by the Company's shareholders, can cause the issue or buy-back of Company's shares. The issue of any new shares is further subject to the provisions of the Company's Articles of Association, the prevailing law and the principle of fair treatment to all existing shareholders.

## Report of the Board of Directors (Continued)

**Statement on Corporate governance pursuant to paragraph 5 of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission regarding the contents of the Annual Financial Report (the “Directive”) and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the “Law”) (continued)**

Par. 5(i) of the Directive: the powers of the members of the Board of Directors (continued)

### **Functioning of the Board**

35 The Board meets upon call by the Chairman. A meeting of the Board must be convened if any director so requires.

36 Any director may act at any meeting of the Board by appointing any person (other than a person disqualified by law from being a director of a company) as an alternate director to attend and vote in his place. A quorum of the Board may be fixed by the directors, and unless so fixed at any other number, shall be four. Decisions are taken by the affirmative votes of a majority of the votes cast.

### **Conflicts of Interest**

37 The rules governing the handling of conflict of interests are set out in the Articles of Association.

### **Chairmanship**

38 The Board chooses from among its members a Chairman and/or deputy chairman and/or vice-chairman. The Board also chooses a secretary who need not be a director who will be responsible for keeping the minutes of the meetings of the Board and of the shareholders.

39 The Chairman, or in his absence the deputy chairman, or in his absence, the vice-chairman, presides at all meetings of shareholders and of the Board, but in his absence the Board will appoint another director as chairman pro tempore by vote of the majority of directors present at such meeting.

### **Existence and nature of the internal control and risk management system**

40 The Board has overall responsibility for the Company's internal control systems and for monitoring their effectiveness. The Company's senior management (including among others the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and Chief Legal Officer (“CLO”) are responsible for the implementation and maintenance of the internal control systems which are subject to periodic review. The Board monitors the ongoing process by which critical risks to the business are identified, evaluated and managed. Management is responsible for reviewing and monitoring the financial risks to the Company and for considering the risks in the Company's businesses. Similarly, management also monitors risks associated with information technology, human resource management and regulatory compliance.

### **Evaluation of the Board**

41 The Board regularly carries out an evaluation of its performance and its relationship with the Senior Management of the Company.

## Report of the Board of Directors (Continued)

**Statement on Corporate governance pursuant to paragraph 5 of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission regarding the contents of the Annual Financial Report (the “Directive”) and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the “Law”) (continued)**

Par. 5(i) of the Directive: the powers of the members of the Board of Directors (continued)

### **Senior Management**

42 The Board of Directors has delegated the daily management of the Company to the CEO, who is assisted by a CFO and a CLO. During the financial year 2013, the CEO, CFO and CLO, remained the same, and were respectively Messrs Andrii Gubka (CEO), Anton Chvanov (CFO) and Denis Khrenov (“CLO”).

### **Remuneration policy for Board Members and Senior Managers**

43 The total amount of remuneration granted directly or indirectly by the Company to the members of its Board and to the CEO, CFO and CLO is fully described in the Note 28a(i) to the consolidated financial statements of the Company.

44 Compensation of Senior Management is determined by the Board after consultation of the Remuneration Committee. The members of the Board receive Board fees. The Board fees are determined by the Annual General Meeting of shareholders upon a recommendation from the Nomination and Remuneration Committee.

45 Variable and non-variable components of the remuneration and links between remuneration and performance are reviewed by the Nomination and Remuneration Committee. The variable element of remuneration for the Senior Management is determined by the Board of Directors. Performance plans are based on success criteria which are agreed by the Board of Directors. The plans are reviewed during the year; the remuneration is based on the achievement of these performance criteria. The remuneration of the Board of Directors and key management is described in Note 28 of the consolidated financial statements.

### **Contracts with Directors and related parties**

46 Other than the transactions and the balances with related parties referred to in Note 28 of the consolidated financial statements, there were no other significant contracts with the Group, or its subsidiaries at 31 December 2013 in which the Directors or their related persons had a material interest. Related persons include the spouse, minor children and companies in which Directors hold directly or indirectly at least 20% of the voting rights in a general meeting.

### **Delegation of Director’s powers to committees**

47 The directors have the power to delegate any of their powers to committees consisting of such directors or other persons as they think fit.

48 In order to carry out its work more effectively the Board has appointed a nomination and remuneration committee (the “Nomination and Remuneration Committee”) and an audit committee (the “Audit Committee”).

## Report of the Board of Directors (Continued)

**Statement on Corporate governance pursuant to paragraph 5 of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission regarding the contents of the Annual Financial Report (the “Directive”) and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the “Law”) (continued)**

Par. 5(i) of the Directive: the powers of the members of the Board of Directors (continued)

### **Delegation of Director’s powers to committees (continued)**

49 These committees handle business within their respective areas and present recommendations and reports on which the Board may base its decisions and actions. All members of the Board have the same responsibility for all decisions taken irrespective of whether the issue in question has been reviewed by such a committee or not.

Par 5(j) of the Directive

50 Non-Applicable.

Par 5(k) of the Directive: the composition and operation of the administrative, management and supervisory bodies of the Company and their committees

51 The composition of and operation of the Board of Directors, was stated in pg. 1 of this Report, and above, under the heading “Par 5(i) of the Directive: the powers of the members of the Board of Directors”.

52 The composition, operation and internal regulation of the Audit Committee and the Nomination and Remuneration Committee of the Board of Directors are stated below.

### **General rules regarding both committees**

53 A quorum shall be three committee members present or represented by alternate committee members. All decisions by the committees require a simple majority of votes. In case of ballot the Chairman of the committee has a casting vote.

54 Each committee regularly evaluates its own composition, organization and effectiveness as a collective body and makes recommendations to the Board for any necessary adjustments in its internal regulations and, where necessary, take appropriate steps to improve its performance.

55 The committees of the Board should perform their tasks within the framework of the regulations that they have been given and ensure that they report regularly on their activity and on the results of their work to the Board.

56 Each committee of the Board may seek expert assistance in obtaining the necessary information for the proper fulfillment of their duties. The Company should provide each committee with the financial resources it needs for this purpose.

## Report of the Board of Directors (Continued)

**Statement on Corporate governance pursuant to paragraph 5 of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission regarding the contents of the Annual Financial Report (the “Directive”) and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the “Law”) (continued)**

Par 5(k) of the Directive: the composition and operation of the administrative, management and supervisory bodies of the Company and their committees (continued)

### **(a) Regulations for the Nomination and Remuneration Committee**

#### **(i) Role**

57 The Responsibility of the Nomination and Remuneration Committee includes issues regarding appointment and remuneration of directors and appointment and salaries, pension plans, bonus programs and other employments terms of the CEO, CFO, CLO and other senior management. The Nomination and Remuneration Committee shall in particular:

- submit proposals to the Board regarding the appointment and remuneration of directors and Senior Management and ensure that its proposals are in accordance with the remuneration policy adopted by the Company;
- discuss with the CEO the performance of the other members of Senior Management at least once a year based on evaluation criteria clearly defined. The CEO should not be present at the discussion of his own evaluation;
- ensure that the remuneration of non-executive directors is proportional to their responsibilities and the time devoted to their functions;
- assisting the Board in the selection of directors. It considers all proposals submitted by the shareholders, the Board or the Senior Management commending suitable candidates to the Board and assisting the Board in making for every position to be filled an evaluation of the existing and required skills, knowledge and experience. On the basis of this evaluation the Nomination and Remuneration Committee will assist the Board in drawing up a description of the role together with the skills, knowledge and experience required.

#### **(ii) Composition**

58 The Nomination and Remuneration Committee is composed exclusively of 4 directors of which 1 are independent. The Chairman of the Board or another non-executive director chairs the Nomination and Remuneration Committee.

#### **(iii) Working rules**

59 The Nomination and Remuneration Committee should meet as often as it considers necessary, but at least once a year. After each meeting of the Nomination and Remuneration Committee, its chairman should make a report to the Board. The chairman of the Nomination and Remuneration Committee ensures that minutes of meetings are prepared.

## Report of the Board of Directors (Continued)

Statement on Corporate governance pursuant to paragraph 5 of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission regarding the contents of the Annual Financial Report (the "Directive") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Law") (continued)

Par 5(k) of the Directive: the composition and operation of the administrative, management and supervisory bodies of the Company and their committees (continued)

### (b) Regulations for the Audit Committee

#### (i) Role

60 The Audit Committee assists the Board in the selection of the independent auditor to be proposed for appointment to the shareholders vote. The Audit Committee assumes also the function of prime entry point of the auditor to the Company on any audit aspects of the financials and of the internal control and risk evaluation procedures. The Audit Committee assists the Board on specific risks analysis and descriptions as well as on risk control systems to be implemented.

#### (ii) Composition

61 The Audit Committee is composed exclusively of 4 directors of which 1 are independent. The Chairman of the Board or another non-executive director chairs the Audit Committee.

#### (iii) Working rules

62 The Audit Committee should meet as often as it considers necessary. After each meeting of the Audit Committee, its chairman should report to the Board of the Company. The chairman of the Audit Committee ensures that minutes of meetings are prepared.

By Order of the Board

Andrii Gabka  
Chief Executive Officer



23 April 2014



## **Independent auditor's report**

### **To the Members of SUN Interbrew Plc**

#### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of SUN Interbrew Plc (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Board of Directors' responsibility for the consolidated financial statements*

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.



#### *Emphasis of matter*

We draw attention to Note 30 to the consolidated financial statements which indicates that the operations of the Group, and those of other entities in Ukraine, have been affected and may continue to be affected for the foreseeable future, by the continuing uncertainties in Ukraine. Our opinion is not qualified in respect of this matter.

#### **Report on other legal requirements**

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Group's consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

According to the requirements of the directive OD190-2007-04 of the Cyprus Capital Market Board, we report that a statement of corporate governance code has been issued regarding paragraphs (a), (b), (c), (f) and (d) of Article 5 of the given direction and consist a special part of the report of the board of directors.

#### **Other matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Yiangos Kaponides  
Certified Public Accountant and Registered Auditor  
for and on behalf of

PricewaterhouseCoopers Limited  
Certified Public Accountants and Registered Auditors

Limassol, 23 April 2014



*SUN Interbrew Plc*  
*Consolidated Statement of Financial Position as at 31 December 2013*  
*All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated*

'000 EUR	Note	31 December 2013	31 December 2012
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	518,727	629,310
Intangible assets	14	120,614	134,592
Available for sale financial assets		196	196
Non-current income tax assets		4,895	-
Deferred income tax assets	15	39,287	42,819
<b>Total non-current assets</b>		<b>683,719</b>	<b>797,917</b>
<b>Current assets</b>			
Inventories	16	82,521	107,593
Loan granted to related parties	28	129,311	109,524
Current income tax assets		2,681	3,344
Trade and other receivables	17	48,141	48,230
Prepayments		3,076	4,792
Cash and cash equivalents	18	192,839	328,310
<b>Total current assets</b>		<b>458,569</b>	<b>601,793</b>
Assets classified as held for sale	13	10,374	22,449
<b>Total assets</b>		<b>1,152,662</b>	<b>1,422,159</b>
<b>Capital and reserves and liabilities</b>			
<b>Capital and reserves</b>			
	19		
Share capital		1,809	1,809
Share premium		459,105	459,105
Retained earnings		107,892	280,851
Translation reserve		(246,843)	(246,003)
<b>Total capital and reserves attributable to the holders of the Company</b>		<b>321,963</b>	<b>495,762</b>
<b>Non-controlling interests</b>		<b>19,549</b>	<b>29,261</b>
<b>Total capital and reserves</b>		<b>341,512</b>	<b>525,023</b>
<b>Non-current liabilities</b>			
Loans and borrowings	21	299,324	334,602
Employee benefits	22	216	192
<b>Total non-current liabilities</b>		<b>299,540</b>	<b>334,794</b>
<b>Current liabilities</b>			
Loans and borrowings	21	159,510	171,394
Trade and other payables	23	351,420	390,418
Current income tax liabilities		680	530
<b>Total current liabilities</b>		<b>511,610</b>	<b>562,342</b>
<b>Total liabilities</b>		<b>811,150</b>	<b>897,136</b>
<b>Total capital and reserves and liabilities</b>		<b>1,152,662</b>	<b>1,422,159</b>

These consolidated financial statements were approved by the Board of Directors on 23 April 2014 and were signed on its behalf by:

Andrii Gubka – Chief Executive Officer

Anton Chvanov – Chief Financial Officer

**SUN Interbrew Plc**  
*Consolidated Statement of Comprehensive Income for the year ended 31 December 2013*  
*All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated*

'000 EUR	Note	<u>2013</u>	<u>2012</u>
Revenue	6	1,086,519	1,299,296
Cost of sales		<u>(631,977)</u>	<u>(758,368)</u>
<b>Gross profit</b>		<b>454,542</b>	<b>540,928</b>
Selling, marketing and distribution expenses		(396,199)	(455,661)
General and administrative expenses	7	(93,236)	(110,056)
Other losses	8	<u>(2,578)</u>	<u>(3,237)</u>
<b>Results from operating activities</b>		<b>(37,471)</b>	<b>(28,026)</b>
Finance income	10	2,384	4,324
Finance costs	10	<u>(43,656)</u>	<u>(65,941)</u>
<b>Net finance costs</b>		<b>(41,272)</b>	<b>(61,617)</b>
<b>Loss before income tax</b>		<b>(78,743)</b>	<b>(89,643)</b>
Income tax credit	11	10,423	13,397
<b>Loss for the year</b>		<b><u>(68,320)</u></b>	<b><u>(76,246)</u></b>
<b>Other comprehensive income/(loss)</b>			
Defined benefit plan actuarial (losses)/gains	22	(57)	70
Foreign currency translation differences		<u>(838)</u>	<u>(11,052)</u>
<b>Other comprehensive loss for the year</b>		<b>(895)</b>	<b>(10,982)</b>
<b>Total comprehensive loss for the year</b>		<b><u>(69,215)</u></b>	<b><u>(87,228)</u></b>
<b>Loss attributable to:</b>			
Owners of the Company		(58,606)	(66,597)
Non-controlling interests		<u>(9,714)</u>	<u>(9,649)</u>
<b>Loss for the year</b>		<b><u>(68,320)</u></b>	<b><u>(76,246)</u></b>
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(59,503)	(77,962)
Non-controlling interests		<u>(9,712)</u>	<u>(9,266)</u>
<b>Total comprehensive loss for the year</b>		<b><u>(69,215)</u></b>	<b><u>(87,228)</u></b>
<b>Loss per share</b>			
<b>Basic and diluted loss per share (EUR)</b>	20	<b><u>(0.50)</u></b>	<b><u>(0.57)</u></b>

Items in other comprehensive income above are disclosed net of tax. There is no significant tax relating to each component of other comprehensive income.



**SUN Interbrew Plc**  
*Consolidated Statement of Cash Flows for the year ended 31 December 2013*  
*All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated*

'000 EUR	Note	2013	2012
<b>Cash flows from operating activities</b>			
Loss for the year		(68,320)	(76,246)
<i>Adjustments for:</i>			
Depreciation and amortisation	12, 14	123,410	148,332
Impairment losses on property, plant and equipment	12, 14	6,652	3,707
(Loss)/gain on disposal of property, plant and equipment	8	316	(2,030)
Interest expense, net of interest income	10	35,892	60,572
Unrealized foreign exchange loss		566	152
Income tax credit	11	(10,423)	(13,397)
Other non-cash items		160	3,028
<b>Cash from operating activities before changes in working capital and provisions</b>		<b>88,253</b>	<b>124,118</b>
Change in inventories		14,705	5,876
Change in prepayments for current assets		1,716	(108)
Change in trade and other receivables		(18,068)	16,011
Change in trade and other payables		9,527	11,469
Change in provisions and employee benefits		(202)	(36)
<b>Cash flows from operations before income taxes and interest paid</b>		<b>95,931</b>	<b>157,330</b>
Income tax		5,381	4,407
Interest paid		(38,403)	(66,042)
<b>Net cash from operating activities</b>		<b>62,909</b>	<b>95,695</b>
<b>Cash flows from investing activities</b>			
Loans payments		(268,961)	(1,627)
Loans repaid from loans granted		250,176	589,201
Proceeds from sale of property, plant and equipment		1,069	6,727
Proceeds from sale of assets held for sale		24,642	-
Interest repaid from loans granted		2,439	4,441
Acquisition of property, plant and equipment	12	(92,011)	(93,511)
Acquisition of intangible assets	14	(2,036)	(2,520)
<b>Net cash (used)/provided from investing activities</b>		<b>(84,682)</b>	<b>502,711</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		187,774	138,077
Repayment of borrowings		(182,649)	(438,225)
Other financing costs		(906)	(752)
Dividends paid	19	(114,296)	(76)
<b>Net cash used in financing activities</b>		<b>(110,077)</b>	<b>(300,976)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(131,850)</b>	<b>297,430</b>
Cash and cash equivalents at beginning of the year		328,310	29,418
Effect of exchange rate fluctuations on cash and cash equivalents		(3,621)	1,462
<b>Cash and cash equivalents at end of year</b>	18	<b>192,839</b>	<b>328,310</b>

## **1 Background**

### **(a) Organisation and operations**

SUN Interbrew Plc (the “Company”) was redomiciled in Cyprus in December 2010, as a public limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The Company’s registered office is 1 Lampousa Street, 1095 Nicosia, Cyprus. Before December 2010, the Company was registered under the name “SUN Interbrew Limited” and was incorporated in Jersey, the Channel Islands.

As at 31 December 2013 and 31 December 2012, the Company’s ordinary shares (Class B) were effectively 99.89% owned and the preference shares (Class A) were effectively 99.97% owned by Anheuser-Busch InBev, which is the Company’s ultimate parent company and ultimate controlling party (the “Parent”). The Company’s immediate parent company is Worldoor Limited (the “Immediate Parent”), a company registered in Cyprus. The Company is listed on the Luxembourg Stock Exchange and has also a global depository receipts program that is listed on the Luxembourg Stock Exchange and admitted to trading on the over-the-counter markets of the Berlin Stock Exchange, Stuttgart Stock Exchange and Frankfurt Stock Exchange.

The Company through a number of holding companies incorporated in Luxembourg, the Netherlands and Cyprus has a controlling interest in 9 breweries and 5 malt plants in the Russian Federation and 3 breweries in Ukraine (referred to collectively as the “Group”). The significant subsidiaries within the Group are listed in Note 29.

The Group manufactures, markets and distributes beer and soft drinks.

The majority of the Group’s funding is from other entities within the group headed by Anheuser-Busch InBev (the “Shareholder Group”). As a result, the Group is economically dependent upon the Shareholder Group headed by Anheuser-Busch InBev. In addition, the activities of the Group are closely linked with the requirements of the Shareholder Group headed by Anheuser-Busch InBev. Related party transactions are disclosed in Note 28.

### **(b) Business environment**

#### **Russian business environment**

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

Amendments to Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm’s length basis.

Management believes that its pricing policy is arm’s length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

## **1 Background (continued)**

### **(b) Business environment (continued)**

#### **Russian business environment (continued)**

The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011, also provided the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions included transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differed by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and/or the overall operations of the Group.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Government continue increasing excise rate for alcohol and expand restrictions as advertising ban and kiosks closure which impact beer industry significantly. Given the declining industry and challenging regulatory environment that has been experienced, especially in Russia, the Group is concentrating on premiumizing and improving the profitability of its brand portfolio. The Group is also undertaking significant restructuring of its cost base, as well as optimizing cost of sales and distribution expenses.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

#### **Ukrainian business environment**

The Group has operations in Ukraine. Ukraine is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Ukraine involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the economy of the Ukraine have further increased the level of economic uncertainty in the environment.

The Ukrainian economy is considered to be developing and characterized by relatively high economic and political risks. The future stability of the Ukrainian economy is largely dependent upon reforms and the effectiveness of economic, financial and monetary measures undertaken by government, together with tax, legal, regulatory, and political developments. As a developing economy, it is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2013, the world demand for Ukraine's main export commodities, steel and iron ore, was weak. The Government of Ukraine introduced a number of restrictions in relation to foreign exchange aiming to support the national currency, the Ukrainian Hryvnia. Inflation during the year was close to zero as the National Bank of Ukraine reduced the money supply. The national foreign exchange reserves reduced to the level of 3 month imports at year end due to reduced inflows from sale of commodities and agro produce, the need to settle scheduled payments, primarily with International Monetary Fund, and to pay the current and past purchase of natural gas.

## **1 Background (continued)**

### **(b) Business environment (continued)**

#### **Operating environment of Ukraine**

The anticipated association agreement with the European Union was not signed at the end of November. The Government announced a deal with the Russian Federation for the purchase of Ukrainian Government bonds up to USD 15 billion, of which USD 3 billion was provided in December 2013.

The political system of Ukraine experienced severe instability with a number of protests against the Government's actions in late 2013 and street violence in January - March 2014. At the end of January 2014, the President of Ukraine accepted the resignation of Ukraine's Prime Minister. Following this, the Russian Government suspended the support of the Ukrainian Government and Moody's Investors Service downgraded Ukraine's government bond rating to Caa2 from Caa1 with a negative outlook. To stabilize the deteriorating political situation, the Parliament voted return of the 2004 Constitution and dismissed the President. On 26 February, the newly formed Parliament majority coalition appointed a Prime Minister and the Government.

Since the beginning of 2014, the Ukrainian Hryvnia saw a significant decrease in value against the major world currencies. The new Government called for immediate dialogue with the International Monetary Fund in order provide financing and avoid possible default. On 1 March, the Russian parliament granted approval for the use of armed forces in Ukraine. Russian troops are believed to be occupying government offices and other locations in Crimea. The Ukrainian armed forces were put on full alert. The government in Crimea held a referendum on joining the Russian Federation on 16 March, following which the region of Crimea and the Russian Federation announced the joining of Crimea to Russia.

The final resolution and the effects of the political and economic crisis are difficult to predict but they have further severe effects on the Ukrainian economy.

Management believes it is taking all the necessary measures to support the sustainability and development of the Company's business and continue operating as a going concern into the foreseeable future.

The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the Ministry of Finance and other state authorities are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law 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 tax year may remain open longer.

These facts create tax risks substantially more significant than typically found in countries with more developed systems. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant. The future business environment may differ from management's assessment.

## **2 Basis of preparation**

### **(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, and the requirements of the Cyprus Companies Law, Cap. 113.

The remuneration of the statutory auditors of the Group for the audit services provided to the Group amount to EUR 39 thousand (2012: EUR 36 thousand). Administration expenses include an amount of EUR nil thousand for tax services charged by the Company’s statutory auditors (2012: EUR 2 thousand).

### **(b) Basis of measurement**

The consolidated financial statements are prepared on the historical cost basis.

### **(c) Functional and presentation currency**

The Company’s functional currency is the Euro. Items included in the Group’s financial statements are measured using the currency of the primary economic environment in which each entity operates. The functional currencies of the Russian and Ukrainian subsidiaries are the Russian Rouble and Ukrainian Hryvna, respectively. Management has selected to use the Euro as the presentation currency for the consolidated financial statements. All financial information is presented in thousands of Euro unless stated otherwise and has been rounded to the nearest thousand.

### **(d) Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 24 – financial instruments and risk management

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 1 – Business environment
- Note 14 – goodwill impairment testing assumptions
- Note 15 – deferred tax assets
- Note 27 – contingencies.

### **(e) Changes in accounting policies**

The Group has changed its accounting policies during 2013 financial year in order to adopt all new and revised International Financial Reporting Standards that are relevant to its operations and are effective for accounting periods beginning on 1 January 2013 as described in Note 3(s).



### **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all of the Group entities.

**(a) Basis of consolidation**

**(i) Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

**(ii) Loss of control**

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**(iii) Transactions with non-controlling interests**

Acquisitions and disposals of non-controlling interests that do not result in loss of control are accounted for as transactions with owners in their capacity as owners and, therefore, no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net identifiable assets of the subsidiary.

For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**(iv) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**(b) Foreign currency**

**(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

### **3 Significant accounting policies (continued)**

#### **(b) Foreign currency (continued)**

##### **(ii) Foreign entities**

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive loss/income.

The assets and liabilities of foreign entities, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at the exchange rates at the reporting date. The income and expenses of foreign entities are translated to EUR at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive loss/income, and presented in the foreign currency translation reserve in equity. However, if the entity is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign entity is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign entity is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign entity while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign entity while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign entity is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign entity and are recognised in other comprehensive loss/income, and presented in the translation reserve in equity.

The results and financial position of all the group entities that have a functional currency different from presentation currency are translated to presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each statement of comprehensive income or separate income statement presented (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions or at the average exchange rate for the period; and
- (c) all resulting exchange differences shall be recognized in other comprehensive loss/income.

#### **(c) Financial instruments**

##### **(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans to related parties, loans and borrowings, and trade and other payables.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

### **3 Significant accounting policies (continued)**

#### **(c) Financial instruments (continued)**

##### **(i) Non-derivative financial instruments (continued)**

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

##### ***Loans and receivables***

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables category comprise the following classes of assets: trade and other receivables as presented in Note 17, cash and cash equivalents as presented in Note 18 and loans to related parties as presented in Note 28 (b).

##### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances, overdrafts, call deposits and highly liquid investments with maturities at initial recognition of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

##### ***Available-for-sale financial assets***

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see Note 3(i)(i)) and foreign currency differences on available-for-sale debt instruments (see Note 24), are recognised in other comprehensive loss/income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities.

### **3 Significant accounting policies (continued)**

#### **(c) Financial instruments (continued)**

##### **(ii) Non-derivative financial liabilities**

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset in which case they are capitalised as part of the cost of that asset.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

##### **(iii) Share capital**

###### *Ordinary shares (Class A)*

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

###### *Preference share capital (Class B)*

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

###### *Repurchase, disposal and reissue of share capital (treasury shares)*

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

### **3 Significant accounting policies (continued)**

#### **(d) Property, plant and equipment**

##### **(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other gains/losses – net.

##### **(ii) Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### **(iii) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- buildings 10 to 20 years
- plant and equipment 5 to 15 years
- transportation and office equipment 4 to 10 years
- packaging materials 3 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 3(i)(ii)).

##### **(e) Assets held for sale**

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use if the conditions of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, are met, which are described below.

They are stated at the lower of carrying amount and fair value less costs to sell.

### **3 Significant accounting policies (continued)**

#### **(e) Assets held for sale (continued)**

A disposal group is defined as a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred. The group includes goodwill if the group is a cash-generating unit to which goodwill has been allocated or if it is an operation within such a cash-generating unit. A disposal group may be a group of CGUs (cash generating unit), a single CGU or part of a CGU.

#### **(f) Intangible assets**

##### **(i) Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

##### **(ii) Brands and Trademarks**

Brands and trademarks which are acquired by the Group are shown at historical cost, have indefinite useful life and are not amortized but tested for impairment annually. Expenditure on internally generated brands is recognised in the income statement as an expense as incurred.

##### **(iii) Software under development**

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programmes are charged to the profit or loss of the year in which they were incurred. Computer software costs are amortised using the straight line method over their estimated useful lives, not exceeding a period of five years. Amortisation commences when the computer software is available for use and is included within administrative expenses.

##### **(iv) Other intangible assets**

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

##### **(v) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

### **3 Significant accounting policies (continued)**

#### **(f) Intangible assets (continued)**

##### **(vi) Amortisation**

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- software 3-5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

##### **(g) Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

##### **(h) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

##### **(i) Impairment**

##### **(i) Non-derivative financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

### **3 Significant accounting policies (continued)**

#### **(i) Impairment (continued)**

##### **(i) Non-derivative financial assets (continued)**

###### *Receivables*

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### **(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.



### **3 Significant accounting policies (continued)**

#### **(i) Impairment (continued)**

##### **(ii) Non-financial assets (continued)**

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **(j) Employee benefits**

##### **(i) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia and Ukraine's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

##### **(ii) Defined benefit plans**

One of the Group subsidiaries PJSC SUN InBev Ukraine makes contributions to a defined benefit plan that provides pension benefits for its employees upon retirement. The subsidiary recognises all actuarial gains and losses arising from the plan in other comprehensive loss/income and all expenses related to the plan in personnel expenses in profit or loss.

##### **(iii) Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### **(k) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Restructuring provisions primarily comprise employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Company are not provided in advance.

### **3 Significant accounting policies (continued)**

#### **(l) Revenue**

##### **(i) Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of excise duties, returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of beer and soft drinks, transfer usually occurs when the product is shipped to the carrier. Generally for such products the buyer has no right of return.

The Group accounts for the returnable containers as its property, plant and equipment and does not derecognise them as part of a sales transaction. On delivery of beer to customers, the Group collects a deposit for each container delivered and it has an obligation to refund this deposit when the customers return the containers.

##### **(m) Other expenses**

###### ***Lease payments***

Payments made under operating leases are recognised as an expense on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

##### **(n) Finance income and costs**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

##### **(o) Current and deferred income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. In this case, tax is also recognised in equity or other comprehensive income, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the company and its subsidiaries operate and generate taxable income, and any adjustment to tax payable in respect of previous years.

### 3 Significant accounting policies (continued)

#### (o) Current and deferred income tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation and Ukraine, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (p) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary and preference shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary and preference shareholders of the Company by the weighted average number of ordinary and preference shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary and preference shareholders and the weighted average number of ordinary and preference shares outstanding, adjusted for own shares held, for the effects of any dilutive potential ordinary and preference shares, which comprise convertible notes and share options granted to employees.

#### (q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by Anheuser-Busch InBev's CEE Zone President (the "Zone President") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Zone President is considered to be the Chief Operating Decision Maker in accordance with IFRS 8 Operating Segments.

Segment results that are reported to the Zone President include items directly attributable to a segment.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

### **3 Significant accounting policies (continued)**

#### **(r) Financial guarantee contracts**

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet date, if payment under a contract becomes probable, and the amount recognised less cumulative amortization.

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies under common control, the Group considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

#### **(s) New Standards and Interpretations**

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2013 have been adopted by the EU through the endorsement procedure established by the European Commission.

##### **Adoption of new and revised IFRS**

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2013. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these financial statements the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective:

##### **New Standards, interpretations and amendments, not yet adopted by the Company**

###### **(i) Adopted by the European Union**

- IAS 27 (revised 2011), 'Separate financial statements' (effective for annual periods beginning on or after 1 January 2013; EU effective date for 1 January 2014).
- IAS 28 (revised 2011), 'Associates and joint ventures' (effective for annual periods beginning on or after 1 January 2013; EU effective date for 1 January 2014).
- IFRS 10, "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013; EU effective date for 1 January 2014).
- IFRS 11, 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2013; EU effective date for 1 January 2014).
- IFRS 12, 'Disclosures of interests in other entities' (effective for annual periods beginning on or after 1 January 2013; EU effective date for 1 January 2014).
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014; EU effective date for 1 January 2014).
- Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2013; EU effective date for 1 January 2014).
- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014; EU effective date for 1 January 2014).
- Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning on or after 1 January 2014).

### **3 Significant accounting policies (continued)**

#### **(s) New Standards and Interpretations (continued)**

##### **New Standards, interpretations and amendments, not yet adopted by the Company (continued)**

##### **(ii) Not yet adopted and not yet endorsed by the European Union**

- IFRIC 21 – Levies (issued on 20 May 2013 and effective for annual periods beginning on 1 January 2014).
- IFRS 9, ‘Financial Instruments: Classification and Measurement’. The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary.
- Annual Improvements to IFRS 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).
- Annual Improvements to IFRS 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated).
- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 19 – Defined benefit plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014).

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the consolidated financial statements.

##### **(i) Other Standards, Interpretations and Amendments to the Standards**

A number of other amendments to standards are effective for annual periods beginning after 1 January 2013, and have not been listed above because of either their non-applicability to or their immateriality the Group’s consolidated financial statements.

The Board of Directors expects that the adoption of these financial reporting standards in the future periods will not have a material effect on the consolidated financial statements of the Group.

### **4 Determination of fair values**

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### **(a) Trade and other receivables**

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### **(b) Loans to related parties**

The fair value of loans to related parties is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

## 4 Determination of fair values (continued)

### (c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

## 5 Operating segments

The Group has two reportable segments: breweries operating in the Russian Federation and breweries operating in Ukraine. Segment information is presented by geographical segments, consistent with the IFRS-based information that is available and evaluated regularly by the Zone President who is the Group's chief operating decision-maker.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Zone President. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the industry.

### (i) Information about reportable segments

2013

'000 EUR	Russia	Ukraine	Total
Total segment revenue	774,756	315,803	1,090,559
Inter-segment revenue	(3,939)	(101)	(4,040)
<b>Total Revenue</b>	<b>770,817</b>	<b>315,702</b>	<b>1,086,519</b>
Cost of sales	(415,058)	(216,919)	(631,977)
Selling, marketing and distribution expenses	(309,743)	(86,456)	(396,199)
General and administrative expenses	(67,155)	(26,081)	(93,236)
Operating income/(losses), net	(1,380)	(1,198)	(2,578)
Finance income	2,152	232	2,384
Finance costs	(42,361)	(1,295)	(43,656)
<b>Reportable segment loss before income tax</b>	<b>(62,728)</b>	<b>(16,015)</b>	<b>(78,743)</b>
<b>Assets</b>			
Reportable segment assets	909,936	244,355	1,154,291
Inter-segment receivables	(1,405)	(224)	(1,629)
	<b>908,531</b>	<b>244,131</b>	<b>1,152,662</b>
<b>Liabilities</b>			
Reportable segment liabilities	(694,413)	(118,366)	(812,779)
Inter-segment payables	224	1,405	1,629
	<b>(694,189)</b>	<b>(116,961)</b>	<b>(811,150)</b>

### Other items

2013

'000 EUR	Russia	Ukraine	Total
Interest income	2,152	232	2,384
Interest expense	(38,245)	(31)	(38,276)
Capital expenditure	(43,427)	(50,620)	(94,047)
Depreciation and amortisation	(74,047)	(49,363)	(123,410)
Impairment on property, plant and equipment and intangible assets	(4,983)	(1,669)	(6,652)
Income tax benefit	8,491	1,932	10,423

## 5 Operating segments (continued)

### (i) Information about reportable segments (continued)

2012 '000 EUR	<u>Russia</u>	<u>Ukraine</u>	<u>Total</u>
Total segment revenue	917,153	393,626	1,310,779
Inter-segment revenue	-	(11,483)	(11,483)
<b>Total Revenue</b>	<b><u>917,153</u></b>	<b><u>382,143</u></b>	<b><u>1,299,296</u></b>
Cost of sales	(495,224)	(263,144)	(758,368)
Selling, marketing and distribution expenses	(359,636)	(96,025)	(455,661)
General and administrative expenses	(86,013)	(24,043)	(110,056)
Operating income/(losses), net	(5,403)	2,166	(3,237)
Finance income	1,794	2,530	4,324
Finance costs	(64,960)	(981)	(65,941)
<b>Reportable segment (loss)/profit before income tax</b>	<b><u>(92,289)</u></b>	<b><u>2,646</u></b>	<b><u>(89,643)</u></b>
<b>Assets</b>			
Reportable segment assets	1,165,513	258,862	1,424,375
Inter-segment receivables	(112)	(2,104)	(2,216)
	<b><u>1,165,401</u></b>	<b><u>256,758</u></b>	<b><u>1,422,159</u></b>
<b>Liabilities</b>			
Reportable segment liabilities	(793,106)	(106,246)	(899,352)
Inter-segment payables	2,104	112	2,216
	<b><u>(791,002)</u></b>	<b><u>(106,134)</u></b>	<b><u>(897,136)</u></b>
<b>Other items</b>			
<b>2012</b>			
<b>'000 EUR</b>	<u>Russia</u>	<u>Ukraine</u>	<u>Total</u>
Interest income	1,775	2,430	4,205
Interest expense	(64,688)	(89)	(64,777)
Capital expenditure	(37,449)	(58,582)	(96,031)
Depreciation and amortisation	(93,788)	(54,544)	(148,332)
Impairment on property, plant and equipment and intangible assets	(1,662)	(2,045)	(3,707)
Income tax credit/(expense)	19,729	(6,332)	13,397

### (ii) Major customers

In 2013, as well as in 2012, there were no customers which represent more than 10% of the Group's total revenue, or any of the segment's revenue. Russia and Ukraine revenue is predominantly generated from customers within each respective country.

## 6 Revenue

'000 EUR	<u>2013</u>	<u>2012</u>
Beer	1,074,585	1,287,565
Soft drinks	11,934	11,731
	<b><u>1,086,519</u></b>	<b><u>1,299,296</u></b>

## 7 General and administrative expenses

'000 EUR	<u>2013</u>	<u>2012</u>
Supply chain overheads	(11,133)	(11,916)
Fixed administrative costs	(52,263)	(61,268)
Service fee costs	(20,112)	(24,203)
Depreciation and impairment	(9,728)	(12,669)
	<u>(93,236)</u>	<u>(110,056)</u>

## 8 Other (losses)/gains, net

'000 EUR	<u>2013</u>	<u>2012</u>
Loss on disposal of property, plant and equipment	(316)	2,030
Other gains	1,591	596
	<u>1,275</u>	<u>2,626</u>
Restructuring expenses / payments to employees	(3,853)	(5,863)
	<u>(3,853)</u>	<u>(5,863)</u>
<b>Other losses, net</b>	<u>(2,578)</u>	<u>(3,237)</u>

## 9 Personnel costs

'000 EUR	<u>2013</u>	<u>2012</u>
Wages and salaries	117,594	135,878
Compulsory social security contributions and contributions to State pension fund	29,386	34,762
Other employee benefits	18,535	17,011
Restructuring expenses of payments to employees included in other (losses)/gains, net	3,853	5,863
	<u>169,368</u>	<u>193,514</u>

## 10 Finance income and finance costs

'000 EUR	<u>2013</u>	<u>2012</u>
<b>Recognised in profit or loss</b>		
Interest income on loans and receivables	1,237	1,228
Interest income on bank deposits	1,147	2,977
Net foreign exchange gain	-	109
Other	-	10
<b>Finance income</b>	<u>2,384</u>	<u>4,324</u>
Interest expense on loans and borrowings	(38,276)	(64,777)
Net foreign exchange loss	(4,973)	(152)
Other	(407)	(1,012)
<b>Finance costs</b>	<u>(43,656)</u>	<u>(65,941)</u>
<b>Net finance costs recognised in profit or loss</b>	<u>(41,272)</u>	<u>(61,617)</u>



## 11 Income tax expense

Income taxes are provided for based on taxable income and the varying tax rates applicable in Russia, Ukraine, the Netherlands, Luxembourg and Cyprus. Certain costs and expenses, including some types of employees' compensation, benefits, and interest, which are included as expenses in the consolidated statement of comprehensive income are not deductible when determining taxable income.

The statutory income tax rate applicable to the Russian companies is 20% (2012: 20%). The statutory income tax rate applicable to the Ukrainian companies is 19% (2012: 21%). With effect from 1 January 2014, the income tax rate for the Ukrainian companies has been reduced to 18%.

The statutory income tax applicable from 1 January 2013 to Cyprus companies is 12.5% (2012: 10%). From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 10%; increased to 15% as from 31 August 2011, and to 30% as of 29 April 2013. As from tax year 2012 brought forward losses of only five year may be utilised. In certain cases dividends received from abroad may be subject to special contribution for defence at the of 15%, increased to 17% as from 31 August 2011; increased to 20% as from 1 January 2012; reduced to 17% as from 1 January 2014. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject special contribution for defence.

Gains on disposals of qualifying titles (including shares, bonds, debentures, rights thereon, etc) are exempt from Cyprus income tax.

'000 EUR	<u>2013</u>	<u>2012</u>
<b>Current tax expense</b>		
Current year	1,315	7,118
Income tax benefit	(11,158)	-
	<u>(9,843)</u>	<u>7,118</u>
<b>Deferred tax expense (Note 15)</b>		
Origination and reversal of temporary differences	453	(21,222)
Change in tax rate	(1,033)	707
	<u>(580)</u>	<u>(20,515)</u>
<b>Total income tax credit</b>	<u>(10,423)</u>	<u>(13,397)</u>

### Reconciliation of effective tax rate:

	<u>2013</u>	<u>2012</u>
<b>Loss before income tax</b>	<u>(78,743)</u>	<u>(89,643)</u>
Tax calculated at corporate tax rates	(9,843)	(8,964)
Tax effect of:		
- Expenses non deductible for tax purposes	834	1,588
- Reduction in tax rate	1,033	707
- Write-off of deferred tax assets	2,624	1,454
Effect of income taxed at higher rates applicable to the Russian and Ukrainian subsidiaries	(966)	(8,182)
Utilisation of tax losses	7,053	-
Income tax benefit	<u>(11,158)</u>	<u>-</u>
<b>Tax credit</b>	<u>(10,423)</u>	<u>(13,397)</u>

## 12 Property, plant and equipment

'000 EUR	Land and buildings	Plant and equipment	Transportation and office equipment	Packaging materials	Assets under construction	Total
<b>Cost</b>						
<b>Balance at 1 January 2012</b>	<b>341,075</b>	<b>850,010</b>	<b>250,447</b>	<b>64,985</b>	<b>72,013</b>	<b>1,578,530</b>
Additions	5,351	26,844	22,677	16,006	22,633	93,511
Disposals	(304)	(10,902)	(33,678)	(25,522)	-	(70,406)
Transfers to assets held for sale (Note 13)	(32,376)	(15,455)	(167)	-	(441)	(48,439)
Transfers	21,385	26,705	2,332	(36)	(51,156)	(770)
Effect of movements in exchange rates	8,881	18,673	4,011	(379)	1,262	32,448
<b>Balance at 31 December 2012</b>	<b>344,012</b>	<b>895,875</b>	<b>245,622</b>	<b>55,054</b>	<b>44,311</b>	<b>1,584,874</b>
<b>Balance at 1 January 2013</b>	<b>344,012</b>	<b>895,875</b>	<b>245,622</b>	<b>55,054</b>	<b>44,311</b>	<b>1,584,874</b>
Additions	3,445	18,469	15,249	16,823	38,025	92,011
Interest capitalization	-	-	-	-	850	850
Disposals	(2,710)	(39,524)	(26,877)	(11,627)	-	(80,738)
Transfers to assets held for sale (Note 13)	(13,836)	(52,375)	(1,904)	-	(890)	(69,005)
Transfers	6,724	21,781	2,169	-	(20,149)	10,525
Effect of movements in exchange rates	(32,127)	(79,275)	(19,918)	(3,578)	(4,185)	(139,083)
<b>Balance at 31 December 2013</b>	<b>305,508</b>	<b>764,951</b>	<b>214,341</b>	<b>56,672</b>	<b>57,962</b>	<b>1,399,434</b>
<b>Depreciation and impairment losses</b>						
<b>Balance at 1 January 2012</b>	<b>(146,378)</b>	<b>(524,681)</b>	<b>(188,130)</b>	<b>(31,127)</b>	<b>(1,880)</b>	<b>(892,196)</b>
Depreciation for the year	(20,576)	(75,674)	(26,606)	(19,338)	-	(142,194)
Impairment loss	(155)	(1,508)	(322)	(58)	(1,664)	(3,707)
Disposals	304	10,436	33,551	21,981	-	66,272
Transfers to assets held for sale (Note 13)	14,386	11,456	148	-	-	25,990
Transfers	(66)	-	-	36	1,199	1,169
Effect of movements in exchange rates	(3,951)	(12,470)	(3,608)	85	46	(19,898)
<b>Balance at 31 December 2012</b>	<b>(156,436)</b>	<b>(592,441)</b>	<b>(184,967)</b>	<b>(28,421)</b>	<b>(2,299)</b>	<b>(964,564)</b>
<b>Balance at 1 January 2013</b>	<b>(156,436)</b>	<b>(592,441)</b>	<b>(184,967)</b>	<b>(28,421)</b>	<b>(2,299)</b>	<b>(964,564)</b>
Depreciation for the year	(16,987)	(63,922)	(24,348)	(14,771)	-	(120,028)
Impairment loss	(915)	(2,362)	(1,487)	(348)	(1,540)	(6,652)
Disposals	2,709	35,918	26,749	8,932	-	74,308
Transfers to assets held for sale (Note 13)	9,747	43,831	1,590	-	864	56,032
Transfers	(1,873)	(7,778)	(194)	-	1,394	(8,451)
Effect of movements in exchange rates	15,424	55,188	15,770	2,146	120	88,648
<b>Balance at 31 December 2013</b>	<b>(148,331)</b>	<b>(531,566)</b>	<b>(166,887)</b>	<b>(32,462)</b>	<b>(1,461)</b>	<b>(880,707)</b>
<b>Carrying amounts</b>						
<b>At 1 January 2012</b>	<b>194,697</b>	<b>325,329</b>	<b>62,317</b>	<b>33,858</b>	<b>70,133</b>	<b>686,334</b>
<b>At 31 December 2012</b>	<b>187,576</b>	<b>303,434</b>	<b>60,655</b>	<b>26,633</b>	<b>42,012</b>	<b>620,310</b>
<b>At 31 December 2013</b>	<b>157,177</b>	<b>233,385</b>	<b>47,454</b>	<b>24,210</b>	<b>56,501</b>	<b>518,727</b>

## 12 Property, plant and equipment (continued)

Depreciation expense of EUR 90,364 thousand (2012: EUR 108,636 thousand) has been charged to cost of sales, EUR 23,994 thousand (2012: EUR 27,252 thousand) to distribution expenses and EUR 5,670 thousand (2012: EUR 6,306 thousand) to administrative expenses.

### Impairment loss

The impairment loss recognized during the year in amount of EUR 6,652 thousand (2012: EUR 3,707 thousand) related to obsolete brewing production facilities. EUR 4,616 thousand (2012: EUR 3,228 thousand) of impairment loss was included in cost of sales, EUR 1,359 thousand (2012: EUR 252 thousand) to distribution expenses and EUR 677 thousand (2012: EUR 226 thousand) to administrative expenses. The recoverable amount of the assets was their fair value less costs to sell determined by reference to an active market.

## 13 Assets classified as held for sale

In 2013 management of the Group approved a formal plan of selling of the breweries in Kursk and Novocheboksarsk. As a result, the Group reclassified, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", assets from property, plant and equipment to assets held for sale. The following represents the carrying value at 31 December 2013:

'000 EUR	<u>Kursk</u>	<u>Novocheboksarsk</u>	<u>Total</u>
Buildings	912	2,942	3,854
Plant and equipment	985	5,263	6,248
Furniture and vehicles	95	21	116
IT equipment	32	41	73
Other assets	35	48	83
	<u>2,059</u>	<u>8,315</u>	<u>10,374</u>

In 2012, contracts with third party buyers were signed and according to its provisions all these items of property, plant and equipment will be either actually transferred to the buyer for the Kursk plant or the Group will physically lose access to items because the plant itself as a whole is a part of purchase agreement in the case of Tinkoff plant.

The following represents the carrying value at 31 December 2012.

'000 EUR	<u>Kursk</u>	<u>Tinkoff</u>	<u>Total</u>
Buildings	1,490	16,501	17,991
Plant and equipment	1,137	2,861	3,998
Furniture and vehicles	-	9	9
IT equipment	3	7	10
Assets under construction & advance payments	441	-	441
	<u>3,071</u>	<u>19,378</u>	<u>22,449</u>

During 2013 proceeds from sale of assets classified as held for sale amounts to EUR24,642 thousands.

## 14 Intangible assets

'000 EUR	Goodwill	Software	Software under development	Other intangibles	Brands and trade-marks	Total
<b>Cost</b>						
<b>Balance at 1</b>						
<b>January 2012</b>	102,146	35,439	1,362	484	19,518	158,949
Additions	-	914	1,606	-	-	2,520
Disposals	-	(29)	-	(51)	(1)	(81)
Transfers	-	648	(1,043)	4	(6)	(397)
Effect of movement in exchange rates	2,162	980	44	(10)	699	3,875
<b>Balance at 31</b>						
<b>December 2012</b>	104,308	37,952	1,969	427	20,210	164,866
<b>Balance at 1</b>						
<b>January 2013</b>	104,308	37,952	1,969	427	20,210	164,866
Additions	-	420	1,616	-	-	2,036
Disposals	-	(365)	-	-	-	(365)
Transfers	-	1,210	(1,300)	-	-	(90)
Effect of movement in exchange rates	(9,503)	(3,778)	(218)	(30)	(2,132)	(15,661)
<b>Balance at 31</b>						
<b>December 2013</b>	94,805	35,439	2,067	397	18,078	150,786
<b>Amortisation and impairment losses</b>						
<b>Balance at 1</b>						
<b>January 2012</b>	-	(23,143)	-	(481)	(13)	(23,637)
Amortisation for the year	-	(6,135)	-	(2)	(1)	(6,138)
Impairment loss	-	-	-	-	-	-
Disposals	-	29	-	51	1	81
Transfers	-	(2)	-	(4)	6	-
Effect of movement in exchange rates	-	(590)	-	10	-	(580)
<b>Balance at 31</b>						
<b>December 2012</b>	-	(29,841)	-	(426)	(7)	(30,274)
<b>Balance at 1</b>						
<b>January 2013</b>	-	(29,841)	-	(426)	(7)	(30,274)
Amortisation for the year	-	(3,379)	-	(2)	(1)	(3,382)
Impairment loss	-	-	-	-	-	-
Disposals	-	365	-	5	-	370
Transfers	-	-	-	-	-	-
Effect of movement in exchange rates	-	3,085	-	29	-	3,114
<b>Balance at 31</b>						
<b>December 2013</b>	-	(29,770)	-	(394)	(8)	(30,172)
<b>Carrying amounts</b>						
<b>At 1 January 2012</b>	102,146	12,296	1,362	3	19,505	135,312
<b>At 31 December 2012</b>	104,308	8,111	1,969	1	20,203	134,592
<b>At 31 December 2013</b>	94,805	5,669	2,067	3	18,070	120,614

## 14 Intangible assets (continued)

### (a) Amortisation and impairment charge

Amortisation expense has been recognised as part of general and administrative expenses.

### (b) Impairment testing for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in Note 5.

The aggregate carrying amounts of goodwill allocated to each CGU and the related impairment losses recognised are as follows:

'000 EUR	Goodwill 31.12.2013	Impairment 31.12.2013	Goodwill 31.12.2012	Impairment 31.12.2012
Russian business unit	70,943	-	79,306	-
Ukrainian business unit	23,862	-	25,002	-
	<b>94,805</b>	<b>-</b>	<b>104,308</b>	<b>-</b>

The recoverable amount of each unit was based on the unit's value in use. The carrying amount of the units was determined to be lower than the unit's respective recoverable amounts, therefore, no impairment loss was recognised.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Unless indicated otherwise the value in use methodology in 2013 was determined similarly as in 2012.

Key assumptions used in discounted cash flow projections.

- (i) The first year is based on management best estimates of the free cash flow outlook for the current year;
- (ii) In the second to fourth year, free cash flows are based on the Company's strategic plan as approved by the Parent's key management. The Company strategic plan is prepared by country and is based on external sources in respect of macro-economic assumptions, industry, inflation and foreign exchange rates, past experiences and planned initiatives which will impact market share, revenue, variable and fixed costs, capital expenditure and working capital assumptions.
- (iii) For subsequent six years the data from the strategic plan is extrapolated generally using simplified assumptions, such as constant volumes and variable cost per hectolitre, and fixed cost linked to inflation, as obtained from external sources.
- (iv) Cash flows after the first ten year period are extrapolated generally using expected annual long-term consumer price indices, based on external sources, in order to calculate the terminal value.
- (v) Projections are made in the functional currency of each CGU and discounted at the unit's weighted average cost of capital and comprised of approximately 11,6% (2012: 9%) for Russia and 16,1% (2012: 14%) for Ukraine.

### (c) Sensitivity to changes in assumptions

The recoverable amounts for the Russian business unit and Ukrainian business units exceed its carrying amount by EUR 135,568 thousand and EUR 144,772 thousand, respectively. The value in use estimates of the cash generating units are most sensitive in changes in the discount rates. The Russian and Ukrainian business units carrying amount would be equal to their recoverable amount if discount rates of 13 % and 28%, respectively, were used.

## 15 Deferred tax assets and liabilities

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

'000 EUR	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Property, plant and equipment	10,283	8,831	(13,351)	(11,293)	(3,068)	(2,462)
Intangible assets	593	493	(4,315)	(4,764)	(3,722)	(4,271)
Inventories	855	1,018	-	-	855	1,018
Employee benefits	1,819	3,717	-	-	1,819	3,717
Trade and other receivables	3,665	7,962	(88)	(480)	3,577	7,482
Trade and other payables	20,323	16,547	(4,100)	(2,131)	16,223	14,416
<b>Tax assets/(liabilities)</b>	<b>37,538</b>	<b>38,568</b>	<b>(21,854)</b>	<b>(18,668)</b>	<b>15,684</b>	<b>19,900</b>
Tax losses carried forward	23,603	22,919	-	-	23,603	22,919
Set off of tax	(21,854)	(18,668)	21,854	18,668	-	-
<b>Net tax assets/(liabilities)</b>	<b>39,287</b>	<b>42,819</b>	<b>-</b>	<b>-</b>	<b>39,287</b>	<b>42,819</b>

### Movement in temporary differences during the year

'000 EUR	1 January 2013	Recognised in profit or loss (Note 11)	Change in tax rate (Note 11)	Recognised in other comprehensive income-foreign exchange differences	31 December 2013
Property, plant and equipment	(2,462)	(1,593)	470	517	(3,068)
Intangible assets	(4,269)	104	2	441	(3,722)
Inventories	1,018	(111)	39	(91)	855
Employee benefits	3,716	(1,709)	81	(269)	1,819
Trade and other receivables	7,482	(3,597)	229	(537)	3,577
Trade and other payables	14,415	3,165	212	(1,569)	16,223
Tax losses carried forward	22,919	3,288	-	(2,604)	23,603
	<b>42,819</b>	<b>(453)</b>	<b>1,033</b>	<b>(4,112)</b>	<b>39,287</b>

'000 EUR	1 January 2012	Recognised in profit or loss (Note 11)	Change in tax rate (Note 11)	Recognised in other comprehensive income-foreign exchange differences	31 December 2012
Property, plant and equipment	(5,001)	3,262	(335)	(388)	(2,462)
Intangible assets	(4,836)	749	(2)	(180)	(4,269)
Inventories	449	599	(27)	(3)	1,018
Employee benefits	797	2,931	(6)	(6)	3,716
Trade and other receivables	15,120	(7,952)	(194)	508	7,482
Trade and other payables	1,394	13,300	(143)	(136)	14,415
Tax losses carried forward	14,145	8,334	-	440	22,919
	<b>22,068</b>	<b>21,223</b>	<b>(707)</b>	<b>235</b>	<b>42,819</b>

## 15 Deferred tax assets and liabilities (continued)

Deferred income tax assets are recognised for unused tax losses, tax credit and deductible temporary differences, to the extent that management is satisfied that it is probable that future taxable profits will be available against which they can be utilised. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the countries where the deferred tax assets originated and during the periods when the deferred tax assets become deductible. Management assessed that the Group will be able to generate future taxable profits through revenue growth initiatives being currently put in place, as well as amending the terms of related party transaction. Deferred tax assets are expected to be recovered after more than 12 months. Losses amounting to EUR 47,833 thousand (2012: EUR 67,408 thousand), EUR 26,471 thousand (2012: EUR 45,432 thousand) and EUR 55,450 thousand will expire in 2021, 2022 and 2023, respectively.

## 16 Inventories

'000 EUR	<u>2013</u>	<u>2012</u>
Raw materials	55,924	68,992
Work in progress	3,069	5,698
Finished goods and goods for resale	16,379	24,606
Other	7,149	8,297
	<u>82,521</u>	<u>107,593</u>
Write-down of inventories in the year	<u>(215)</u>	<u>(3,519)</u>

In 2013 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to EUR 434,454 thousand (2012: EUR 518,946 thousand). The write-down of inventories to net realisable value and reversal of write-downs are included in cost of sales.

## 17 Trade and other receivables

'000 EUR	<u>2013</u>	<u>2012</u>
Trade receivables	43,903	42,183
Non-income taxes receivable	636	2,103
Other receivables	3,602	3,944
	<u>48,141</u>	<u>48,230</u>

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 24.

## 18 Cash and cash equivalents

'000 EUR	<u>2013</u>	<u>2012</u>
Bank balances	164,146	281,515
Call deposits	47,810	65,895
<b>Cash and cash equivalents in the consolidated statement of financial position excluding bank overdrafts used for cash management purposes</b>	<b>211,956</b>	<b>347,410</b>
Bank overdrafts used for cash management purposes (Note 21)	(19,117)	(19,100)
<b>Cash and cash equivalents in the consolidated statement of financial position and cash flows</b>	<b>192,839</b>	<b>328,310</b>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 24.

## 19 Capital and reserves

### (a) Share capital

Number of shares unless otherwise stated	Ordinary shares (Class B)		Preference shares (Class A)	
	2013	2012	2013	2012
Authorised shares	30,000,000	30,000,000	125,278,614	125,278,614
Par value	GBP 0.01	GBP 0.01	GBP 0.01	GBP 0.01
In issue at 1 January and 31 December, fully paid	27,796,220	27,796,220	88,832,710	88,832,710

There were no changes in the share capital during the year.

#### Ordinary shares

All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

#### Non-redeemable preference shares

Preference shares have no right of conversion or redemption. The special rights, restrictions and provisions applicable to the preference shares are as follows:

- The dividends on the preference shares in any year shall be paid in an amount not less than and in equal priority to the dividend payable to the ordinary shareholders in such year;
- On winding up of the company, the surplus assets available for distribution to its members shall be distributed proportionately amongst the holders of the preference share and the ordinary shares according to the amounts of their respective holdings of such shares in the Company;
- The holders of the preference shares do not have right to vote in shareholders' meeting, except for the matters affecting the rights of the holders of preference shares, including "change of control" transaction as defined in the "Article of Association" of the Company.

### (b) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### (c) Share premium

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of shares. Share premium account can only be resorted to limited purposes, which do not include the distribution of dividends and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

### (d) Distributable reserves

In accordance with Cypriot legislation, the Company's distributable reserves are limited to the balance of accumulated retained earnings of the Company.

On 28 August 2013 the Board of Directors approved the payment of interim dividends of EUR 0.98 for each issued and fully paid Class A share and for each issued and fully paid Class B share, amounting to EUR 114,296 thousand. The dividends were fully paid by the 31<sup>st</sup> of October 2013.



## 20 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary and to preference shareholders by the weighted average number of ordinary and preference shares outstanding respectively during the year. The Company has no dilutive potential ordinary shares.

2013	Loss (Numerator) ‘000 EUR	Shares (Denominator)	Per share- amount EUR
<i>Basic and diluted EPS</i>			
Attributable to holders of class “A” participating shares	(44,638)	88,832,710	(0.50)
Attributable to holders of class “B” participating shares	(13,968)	27,796,220	(0.50)
<b>Total attributable to participating shares</b>	<b>(58,606)</b>	<b>116,628,930</b>	<b>(0.50)</b>
2012	Profit (Numerator) ‘000 EUR	Shares (Denominator)	Per share- amount EUR
<i>Basic and diluted EPS</i>			
Attributable to holders of class “A” participating shares	(50,725)	88,832,710	(0.57)
Attributable to holders of class “B” participating shares	(15,872)	27,796,220	(0.57)
<b>Total attributable to participating shares</b>	<b>(66,597)</b>	<b>116,628,930</b>	<b>(0.57)</b>

## 21 Loans and borrowings

This note provides information about the contractual terms of the Group’s interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group’s exposure to interest rate, foreign currency and liquidity risk, see Note 24.

‘000 EUR	Note	2013	2012
<i>Non-current liabilities</i>			
Loan from entity under common control	28 (b)	299,324	334,602
<i>Current liabilities</i>			
Bank overdraft (Note 18)		19,117	19,100
Current loans from entities under common control	28 (b)	159,510	171,394
		<b>178,627</b>	<b>190,494</b>

## 21 Loans and borrowings (continued)

### (a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 EUR	Cur- rency	Nominal interest rate	Year of maturity	31 December 2013		31 December 2012	
				Face value	Carrying amount	Face value	Carrying amount
Non-current loan from an entity under common control	RUB	8.25%	2018	299,324	299,324	334,602	334,602
Bank overdraft	RUB	6.15% - 6.80%	n/a	19,117	19,117	19,100	19,100
Current loans from an entity under common control	RUB	Mosprime + 2%	2014	156,012	156,012	168,342	168,342
Current interest payable	N/A	N/A	2014	3,498	3,498	3,052	3,052
<b>Total interest- bearing liabilities</b>				<b>477,951</b>	<b>477,951</b>	<b>525,096</b>	<b>525,096</b>

The fair value of our debt approximates its carrying value and is estimated using discount cash flow analysis based on incremental borrowing rates for similar types of arrangements available in the market.

## 22 Employee benefits

One of the Group subsidiaries, PJSC SUN InBev Ukraine makes contributions to a defined benefit plan that provides pension benefits for its employees upon retirement. The subsidiary recognises all actuarial gains and losses arising from the plan in other comprehensive income and all expenses related to the plan in personnel expenses in profit or loss. The amount is not material for the Group and covers a limited number of employees in Ukraine.

## 23 Trade and other payables

'000 EUR	2013	2012
Trade payables	259,816	269,354
Non-income taxes payable	57,474	69,111
Payroll and social security payables	16,952	26,265
Other payables and accrued expenses	17,178	25,688
	<b>351,420</b>	<b>390,418</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 24.

## 24 Financial instruments and risk management

### Financial instruments by category

'000 EUR	2013	2012
<b>Loans and receivables</b>		
Loan granted to related party	129,311	109,524
Trade and other receivables excluding non-income taxes receivable	47,505	46,127
Cash and cash equivalents	192,839	328,310
	<b>369,655</b>	<b>483,961</b>
<b>Available for sale</b>		
Available for sale financial asset investments	196	196
	<b>369,851</b>	<b>484,157</b>
<b>Financial liabilities measured at amortized cost</b>		
Trade payables and other payables and accrued expenses	276,994	295,042
Current loans and borrowings	159,510	171,394
Non-current loans and borrowings	299,324	334,602
	<b>735,828</b>	<b>801,038</b>

### (a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

#### Risk management framework

The Parent's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Parent has established a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Parent's Board of Directors on its activities.

The Parent's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Parent's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Parent's Audit Committee is assisted in its oversight role by the Parent's Internal Audit. Parent's Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Parent's Audit Committee.

## 24 Financial instruments and risk management (continued)

### (b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and the loan granted to related party. Credit risks also arises from cash and cash equivalents and deposits with banks and financial institutions.

#### (i) Trade and other receivables

Sales are performed through the network of independent distributors and direct distribution. The direct distribution consists of two major groups of companies: key accounts (large supermarkets and malls) and selling points.

There was no significant concentration of credit risk by region or with any single counterparty as at 31 December 2013 (2012: none).

The Group has a credit policy in place and the exposure to counterparty credit risk is monitored. A credit assessment is performed on each of the Group's customers in order to determine their financial strength. Credit limits are set per customer depending on the customer's financial profile and risk category and on the collaterals and guarantees received from the customer, if any. Other than those balances in which an impairment has been recognised, the current trade and other receivables balances is with customers with good credit quality and history of limited or no default.

Credit limits are reviewed at least once a year. The credit control for all customers is carried out on a daily basis. If the credit limit is exceeded shipments to those customers are suspended.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

#### (ii) Loan granted to related party

The Company granted a loan to an entity controlled by the Parent company (Note 28(b)). The Group assesses the credit risk relating to this loan as low as the Shareholder Group is an established business and is expected to have sufficient liquidity to repay the loan when due.

#### (iii) Cash and cash equivalents

The Company has established minimum counterparty credit ratings and enters into transactions only with financial institutions of investment grade. The Company monitors counterparty credit exposures closely and reviews any downgrade in credit rating immediately. There was no significant concentration of credit risks with any single counterparty per 31 December 2013 and 31 December 2012.

#### (iv) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

'000 EUR	Carrying amount	
	2013	2012
Available for sale financial asset investments	196	196
Loan granted to related party	129,311	109,524
Trade and other receivables excluding non-income taxes receivable	47,505	46,127
Cash and cash equivalents	192,839	328,310
	<u>369,851</u>	<u>484,157</u>

On June 2013 the Group's obtained finance guarantee for EUR 7,338 thousand from Deutsche Bank.

## 24 Financial instruments and risk management (continued)

### (b) Credit risk (continued)

#### (v) Impairment losses

The aging of trade and other receivables at the reporting date was:

'000 EUR	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	46,270	(729)	46,480	(1,607)
Past due 0-30 days	3,160	(726)	3,227	(3)
Past due 31- 59 days	155	(6)	76	(10)
Past due 60 - 89 days	39	(22)	71	(46)
Past due 90 - 179 days	1,573	(1573)	170	(165)
Past due 180- 359 days	540	(540)	341	(341)
Past due more than 360 days	404	(404)	4,806	(4,769)
	<b>52,141</b>	<b>(4,000)</b>	<b>55,171</b>	<b>(6,941)</b>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

'000 EUR	2013	2012
Balance at beginning of the year	(6,941)	(8,245)
Decrease due to reversal	2,941	1,304
<b>Balance at end of the year</b>	<b>(4,000)</b>	<b>(6,941)</b>

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The Group charges an allowance for impairment on the individual basis and in respect of the following amounts: 100% balance receivable for the amounts past due more than 90 days and 50% for the amounts past due from 45 to 90 days adjusted for individually unimpaired amounts, unless the Group is clear that the debt will be collected. The Group may create an impairment allowance for amounts that are past due by less than 45 days when there is strong evidence that the debt will not be collected.

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due.

### (c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's primary sources of cash have historically been cash flows from operating activities, the issuance of debt and bank borrowings. The Group's material cash requirements include debt service and capital expenditures.

The Group believes that cash flows from operating activities, available cash and cash equivalents and access to the Parent's borrowing facilities, will be sufficient to finance capital expenditures and debt.

It is the Group's objective to continue to reduce its financial indebtedness by using cash from operating activities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## 24 Financial instruments and risk management (continued)

### (c) Liquidity risk (continued)

2013

'000 EUR	Carrying amount	Contractual cash flows	0-12 mths (1)	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
<b>Non-derivative financial liabilities</b>								
Trade payables and other payables and accrued expenses	276,994	276,994	276,994	-	-	-	-	-
Current loans payable (1)	159,510	159,510	159,510	-	-	-	-	-
Non-current loan from related party	299,324	422,794	24,694	24,694	24,694	24,694	24,694	299,324
	<b>735,828</b>	<b>859,298</b>	<b>461,198</b>	<b>24,694</b>	<b>24,694</b>	<b>24,694</b>	<b>24,694</b>	<b>299,324</b>

2012

'000 EUR	Carrying amount	Contractual cash flows	0-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
<b>Non-derivative financial liabilities</b>								
Trade payables and other payables and accrued expenses	295,042	295,042	295,042	-	-	-	-	-
Current loans payable (1)	171,394	171,394	171,394	-	-	-	-	-
Non-current loan from related party	334,602	472,627	27,605	27,605	27,605	27,605	27,605	334,602
	<b>801,038</b>	<b>939,063</b>	<b>494,041</b>	<b>27,605</b>	<b>27,605</b>	<b>27,605</b>	<b>27,605</b>	<b>334,602</b>

(1) Current loans payable are payable on demand.

### (d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### (i) Currency risk

The Group is exposed to currency risk on loans granted and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Russian Rouble (RUB) and Ukrainian Hryvna (UAH). The currencies in which these transactions primarily are denominated are EUR and United States Dollar (USD).

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily RUB. This provides an economic hedge without a need to enter into derivative contracts.

## 24 Financial instruments and risk management (continued)

### (d) Market risk (continued)

#### (i) Currency risk (continued)

##### Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

'000 EUR	USD- denominated 2013	EUR- denominated 2013	USD- denominated 2012	EUR- denominated 2012
Trade and other payables	(23,595)	(57,614)	(3,916)	(37,090)
Current loans from related parties	(33,200)	(757)	(50)	-
Current loans granted to related party	0	128,834	50	109,998
Trade and other receivables	1,915	-	603	601
Net exposure	<u>(54,880)</u>	<u>70,463</u>	<u>(3,313)</u>	<u>73,509</u>

The following significant exchange rates applied during the year:

in EUR	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
RUB for EUR 1	42.4001	39.9083	44.9699	40.2286
UAH for EUR 1	10.6157	10.2746	11.0415	10.5372

##### Sensitivity analysis

A strengthening/weakening of the RUB and UAH, as indicated below, against the following currencies at 31 December would have increased (decreased) equity and profit or loss before taxes by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012, albeit that the reasonably possible foreign exchange changes rate variances were different, as indicated below.

'000 EUR	Strengthening		Weakening	
	Equity	Profit or loss	Equity	Profit or loss
<b>31 December 2013</b>				
USD (+/-10% movement in exchange rate)	(5,488)	(5,488)	5,488	5,488
EUR (+/-10% movement in exchange rate)	7,046	7,046	(7,046)	(7,046)
<b>31 December 2012</b>				
USD (+/-10% movement in exchange rate)	(331)	(331)	331	331
EUR (+/-10% movement in exchange rate)	7,351	7,351	(7,351)	(7,351)

A weakening of the RUB and UAH against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### (ii) 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, as the majority of the Group's loans is drawn from related parties.

## 24 Financial instruments and risk management (continued)

### (d) Market risk (continued)

#### (ii) Interest rate risk (continued)

##### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

'000 EUR	Carrying amount	
	2013	2012
<b>Fixed rate instruments</b>		
Financial liabilities	(299,324)	(334,602)
	<b>(299,324)</b>	<b>(334,602)</b>
<b>Variable rate instruments</b>		
Financial assets	129,311	109,524
Financial liabilities	(159,510)	(171,394)
	<b>(30,199)</b>	<b>(61,870)</b>

##### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

##### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss before taxes by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

'000 EUR	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>2013</b>				
Variable rate instruments	(302)	302	(302)	302
<b>Cash flow sensitivity (net)</b>	<b>(302)</b>	<b>302</b>	<b>(302)</b>	<b>302</b>
<b>2012</b>				
Variable rate instruments	(588)	588	(588)	588
<b>Cash flow sensitivity (net)</b>	<b>(588)</b>	<b>588</b>	<b>(588)</b>	<b>588</b>

### (e) Accounting classifications and fair values

As required by IFRS 13 Fair value measurement, the following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.



## 24 Financial instruments and risk management (continued)

### (e) Accounting classifications and fair values (continued)

#### Fair value hierarchy 2013

'000 EUR	Level 1	Level 2	Level 3
<b>Financial assets measured at amortized cost</b>			
Loan granted to related party	-	-	129,311
Trade and other receivables excluding non-income taxes receivable	-	-	47,505
Cash and cash equivalents	192,839	-	-
	<b>192,839</b>	<b>-</b>	<b>176,816</b>
<b>Financial liabilities measured at amortized cost</b>			
Trade payables and other payables and accrued expenses	-	-	276,994
Current loans and borrowings	-	-	159,510
Non-current loans and borrowings	-	-	299,324
	<b>-</b>	<b>-</b>	<b>735,828</b>

#### Fair value hierarchy 2012

'000 EUR	Level 1	Level 2	Level 3
<b>Financial assets measured at amortized cost</b>			
Loan granted to related party	-	-	109,524
Trade and other receivables excluding non-income taxes receivable	-	-	46,127
Cash and cash equivalents	328,310	-	-
	<b>328,310</b>	<b>-</b>	<b>155,651</b>
<b>Financial liabilities measured at amortized cost</b>			
Trade payables and other payables and accrued expenses	-	-	295,042
Current loans and borrowings	-	-	171,394
Non-current loans and borrowings	-	-	334,602
	<b>-</b>	<b>-</b>	<b>801,038</b>

#### *Fair values versus carrying amounts*

Management believes that there is no significant difference between the carrying amounts and fair values of financial assets and liabilities. The basis for determining fair values is disclosed in Note 4.

### (f) Capital management

The Parent has overall responsibility for the establishment and oversight of the Group's capital management framework. The Group is continuously optimizing its capital structure targeting to maximize shareholder value while keeping the desired financial flexibility to execute the strategic projects.

## 24 Financial instruments and risk management (continued)

### (f) Capital management (continued)

The Group manages its capital based on their debt to capital ratio. The Group's debt to capital ratio at the end of the reporting period was as follows:

'000 EUR	2013	2012
Total liabilities	(811,150)	(897,136)
Less: cash and cash equivalents	192,839	328,310
<b>Net debt</b>	<b>(618,311)</b>	<b>(568,826)</b>
 Total equity	 (341,512)	 (525,023)
<b>Debt to capital ratio at 31 December</b>	<b>1.8</b>	<b>1.1</b>

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2013:

In thousands of EUR	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position
<b>Assets</b>			
Trade receivables	63,953	(20,050)	43 903
<b>Total assets subject to offsetting, master netting and similar arrangement</b>	<b>63,953</b>	<b>(20,050)</b>	<b>43 903</b>
<b>Liabilities</b>			
Trade payables	279,866	(20,050)	259 816
<b>Total liabilities subject to offsetting, master netting and similar arrangement</b>	<b>279,866</b>	<b>(20,050)</b>	<b>259 816</b>

The Group has master netting arrangements of payables for trade marketing activities with customers, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty.

## **25 Operating leases**

The Group leases a number of warehouses and plots of land under operating leases. Lease payments are usually increased annually to reflect market rentals.

Since the land title does not pass, the Group has determined that the land leases are operating leases. The rent paid to the landlords of the warehouses is increased to market rent at regular intervals, and the Group does not participate in the residual value of the warehouses, it was determined that substantially all the risks and rewards of the warehouses are with the landlords. As such, the Group determined that the leases are operating leases.

The lease expenditure charged in the income statement is EUR 6,586 thousand at 31 December 2013 (2012: EUR 7,371 thousand).

## **26 Commitments**

At 31 December 2013 the Group had outstanding contractual commitments totalling approximately EUR 3,936 thousand (2012: EUR 5,771 thousand) to purchase property, plant and equipment. In addition, the Group had commitments to purchase raw and packaging materials worth EUR 13,998 thousand at 31 December 2013 (2012: EUR 18,953 thousand). All Groups commitments are current and will be settled within 12 months after reporting date.

## **27 Contingencies**

### **(a) Insurance**

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

### **(b) Taxation contingencies**

#### **Taxation contingencies in the Russian Federation**

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying 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 tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based 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 provided adequately 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.

## 27 Contingencies (continued)

### (b) Taxation contingencies (continued)

#### Taxation contingencies in Ukraine

The Group also performs its operations in Ukraine and, therefore, within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the Ministry of Finance and other state authorities are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law 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 tax year may remain open longer.

These facts create tax risks substantially more significant than typically found in countries with more developed systems. Management believes that it has adequately provided for tax liabilities based on its interpretation of 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.

### (c) Business environment

Contingencies arising from the Group's operating environment are disclosed in Note 1.

## 28 Related party transactions

For the purposes of these consolidated financial statements, parties are considered related if one party has the ability to control the other party or exercise significant influence over the financial or operational decisions of the other party as determined by the IAS 24 "Related Party Disclosures". In determining each possible related party relationship, consideration is given to the substance of the relationship and not the legal form. Related parties may enter into transactions that may not be possible between non-related parties and transactions between related parties may not be made on the same terms and conditions and amounts for transactions with non-related parties.

### (a) Control relationships

The Company's immediate and ultimate parent companies are disclosed in Note 1(a). The ultimate parent company produces publicly available financial statements in accordance with IFRS.

### (i) Management and directors remuneration

Key management of the Group includes members of its Board of Directors. In addition, during 2013 there was an exit compensation provided to three members of the board that resigned in the amount of EUR 19 600 (2012: EUR 10,000). Key management received the following remuneration during the year, which is included in personnel costs (see Note 9):

'000 EUR	2013	2012
Salaries and bonuses	2,407	1,440
Contributions to State pension fund	61	5
Other service benefits	578	409
	3,046	1,854

The total remuneration of the Directors (included in key management remuneration above) for 2013 was EUR983 thousands.

## 28 Related party transactions (continued)

### (b) Transactions with other related parties

The Group has entered into various service agreements with other entities controlled by AB 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 2013 service expenditures and royalties amounted to EUR 64,381 thousand (2012: EUR 75,303 thousand) under these agreements.

The total interest expense charged by related parties amounted to EUR 38,866 thousand (2012: EUR 64,815 thousand). No interest income charged by related parties in 2013 (2012: EUR 1,464 thousand).

Purchases from other related parties amounted to EUR 11,483 thousand for 2013 (2012: EUR 11,538 thousand).

In 2013, the Company repaid EUR 237,204 thousand of current loans to entities under common control. Also the Company borrowed EUR 255,147 thousand of current loans from entities under common control.

In 2012, the Company received EUR 557,753 thousand from repayment of current loans and repaid EUR 338,005 thousand of non-current loans and EUR 100,220 thousand of current loans. Also the Company borrowed EUR 110,237 thousand of non-current loans from entities under common control and EUR 27,840 thousand of current loans from entities under common control.

The outstanding balances with related parties were as follows:

'000 EUR	31 December 2013	31 December 2012
Other receivables from entities under common control	2,651	4,140
Accounts payable to the entities under common control	(22,899)	(23,419)
Loan granted to an entity under common control	129,311	109,524
Current loans from entities under common control	(156,006)	(168,342)
Interest payable to entities under common control	(3,504)	(3,052)
Non-current loans from entities under common control	(299,324)	(334,602)
	<u>(349,771)</u>	<u>(415,751)</u>

### (c) Pricing policies

Related party transactions are based on market prices.

## 29 Significant subsidiaries

Subsidiary	Country of incorporation	2013 Ownership/voting	2012 Ownership/voting
Sun Interbrew Finance Ltd	Russian Federation	100%/100%	100%/100%
OJSC Sun InBev Russia	Russian Federation	88.12%/88.12%	88.12%/88.12%
PJSC Sun InBev Ukraine	Ukraine	86.66%/98.34%	86.66%/98.34%

### 30 Events subsequent to the reporting date

Effective from 1 January 2014, the excise duty on beer in Russia has been increased further by 3 Russian Rouble, from 15 to 18 Russian Roubles per litre. Management is unable to assess the financial effect of the increase.

Income tax rate in Ukraine decreased from 19% to 18% since 1 January 2013. Management is unable to assess the financial effect of decrease. Exercise tax rates in Ukraine for beer increased by 42.5% from 1 May 2014.

The following exchange rates were noted as of 15 April 2014 and during the period between 1st of January 2014 and 15th of April 2014:

	Average rate		Spot rate	
	Period 1 January 2014 until 15 April 2014	Year ended 31 December 2013	15 April 2014	31 December 2013
RUB for EUR 1 or USD	48.3016	42.4001	49.8232	44.9699
UAH for EUR 1 or USD	12.6768	10.6157	17.1255	11.0415

On 26 March 2014, the Group announced the closure of brewery in Perm. Management is currently in the process of evaluating various alternatives with respect to the plant assets.

In 2013, the world demand for Ukraine's main export commodities, steel and iron ore, was weak. The year was marked by one of record crop harvests; however world prices for wheat, corn and sunflower seed reduced significantly due to peak harvests in other crop producing regions. In 2013 Ukraine's GDP was flat year on year (2012: increase by 0.2%), while industrial output contracted by 4.7% (2012: reduction by 0.5%). The Government of Ukraine introduced a number of restrictions in relation to foreign exchange aiming to support the national currency, the Ukrainian Hryvnia. Inflation during the year was close to zero as the National Bank of Ukraine reduced the money supply. The national foreign exchange reserves reduced to the level of 3 month imports at year end due to reduced inflows from sale of commodities and agro produce, the need to settle scheduled payments, primarily with the International Monetary Fund, and to pay the current and past purchase of natural gas.

The anticipated association agreement with the European Union was not signed at the end of November 2013. The Government announced a deal with the Russian Federation for the purchase of Ukrainian Government bonds up to USD 15 billion, of which USD 3 billion was provided in December 2013. The political system of Ukraine experienced instability with a number of protests against the Government's actions in late 2013 and street violence in January - February 2014. At the end of January 2014, the President of Ukraine accepted the resignation of Ukraine's Prime Minister. Following this, the Russian Government suspended the support of the Ukrainian Government and Moody's Investors Service downgraded Ukraine's government bond rating to Caa2 from Caa1 with a negative outlook. To stabilise the deteriorating political situation, the Parliament voted a return of the 2004 Constitution and dismissed the President. On 26 February, the newly formed Parliament majority coalition appointed a Prime Minister and the Government.

## **30 Events subsequent to the reporting date (continued)**

During January-February 2014, the Ukrainian Hryvnia saw a significant decrease in value against the major world currencies. The new Government called for immediate dialogue with the International Monetary Fund to provide financing and avoid possible default. On 1 March, the Russian parliament granted approval for the use of armed forces in Ukraine. Russian troops are believed to be occupying government offices and other locations in Crimea. The Ukrainian armed forces were put on full alert.

The Group has significant balances receivable with and prepayments made to various government departments in Ukraine including prepaid income taxes of EUR 4,894 thousands. The timing of settlement of these balances is uncertain and is dependent upon the availability of State funds.

The final resolution and the effects of the political and economic crisis are difficult to predict but they may have further severe effects on the Ukrainian economy and the Group's business.

Group's management continue to monitor the situation and undertake all possible measure to eliminate possible financial risks. Management believes that current liquidity position allows to consider the Group as going concern.

On 16 April 2014 the Group lost the case with the tax authorities in the Moscow Federal Arbitration Court related to the legal dispute on deductibility of the certain royalty expenses paid for know-how charges. The Group plans to remit the amount owed of EUR 6,169 thousands within the next three months from the court date and then appeal the decision in the Supreme court. Total amount owed to the tax authorities is not deemed to be material and, therefore, financial records have not been adjusted to reflect this charge.

There were no other material post balance sheet events, which have a bearing on the understanding of the consolidated financial statements.

**Independent Auditor's Report on pages 13 to 14.**