ABInBev / EFES

27.04.2018

LEFKOSIA, CYPRUS

ANNOUNCEMENT

Re: SUN Interbrew Plc - Approval and publication of the Annual Financial Report for the financial year ended 31 December 2017

The Board of Directors of SUN Interbrew Plc (the "Company") has today approved the Annual Financial Report of the Company for the financial year that ended on 31 December 2017, which was prepared in accordance with the applicable provisions of the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Laws of 2007 to 2017 of the Republic of Cyprus. The Annual Financial Report includes the final, audited financial statements of the Group (consolidated) and of the Company (standalone) for 2017, the Management Report and the Independent Auditors' Report.

The Annual Financial Report is hereby attached. Further, it will be uploaded on the Company's website (www.suninterbrew.com) from where it may be accessed and printed, and will be published and made available according to the applicable Transparency legislation and stock exchange rules.

SUN Interbrew Plc contact:

Denis Khrenov – Chief Executive Officer
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Email: D.Khrenov@ab-inbev.com

NAP Regulatory Compliance Services Ltd
Regulatory Compliance Officer for the Company

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CC: Cyprus Securities and Exchange Commission

SUN Interbrew Plc

Annual Report and
Consolidated Financial Statements
for the year ended 31 December 2017

SUN INTERBREW PLC

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SUN INTERBREW PLC

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Denis Khrenov – Chairman of the Board, Director and Chief Executive Officer ("CEO")
Alexander Balakhnov - Director and Chief Legal Officer and member of Nominations and Remuneration Committee ("CLO")
Olesia Sheppard - Director and member of the Audit Committee
Dmytro Shpakov - Director
Inter Jura CY (Directors) Limited – Director and member of Nomination and Remuneration Committee
Inter Jura CY (Management) Limited – Director
Costas Melanides – Independent, non-executive Director and member of the Audit Committee (Appointed on 9 November 2017)
Marios Chrysanthou – Independent, non-executive Director and Chairman of the Audit Committee (Appointed on 9 November 2017)
Yevhenii Vizhul – Director and Chief Financial Officer ("CFO") (Appointed on 9 November 2017)
Nand Lal Khemka– Director (Resigned on 14 September 2017)
Shiv Vikram Khema – Director (Resigned on 14 September 2017)
Uday Harsh Khemka– Director (Resigned on 14 September 2017)
Timur Miretskiy – Director (Resigned on 24 February 2017)
Anatolii Drozda – Director (Appointed on 24 February 2017 and resigned on 14 September 2017)

Company Secretary

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

Registered office

1 Lampousa Street
CY-1095 Nicosia
Cyprus

Registration number: HE277915

SUN INTERBREW PLC

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 2017, confirm that, to the best of our knowledge:

(a) the annual consolidated financial statements which are presented on pages 20 to 76:

 (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 undertakings included in the consolidated accounts as a total, and

(b) the Consolidated Management 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

Name and surname	Signature
Alexander Balakhnov - Director and Chief Legal Officer and member of Nominations and Remuneration Committee ("CLO")	
Inter Jura CY (Directors) Limited – Director and member of Nomination and Remuneration Committee	
Inter Jura CY (Management) Limited – Director	
Denis Khrenov – Chairman of the Board, Director and Chief Executive Officer ("CEO")	
Dmytro Shpakov – Director	
Olesia Sheppard - Director and member of the Audit Committee	
Costas Melanides – Independent, non-executive Director and member of the Audit Committee	
Marios Chrysanthou – Independent, non-executuve Director and Chairman of the Audit Committee	
Yevhenii Vizhui – Director and Chief Financial Officer ("CFO")	

SUN INTERBREW PLC

CONSOLIDATED MANAGEMENT REPORT

1. The Board of Directors presents its consolidated management 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 2017.

Principal activities and Going Concern

2. The principal activities of the Group, which are unchanged from the last year, are manufacturing, marketing and distribution of beer and soft drinks. Subsequent to the reporting date the Group disposed its ownership interests in its significant subsidiaries in Russia and Ukraine to a related party. For more information refer to Note 2(b) and 31.

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

3. The loss of the Group for the year ended 31 December 2017 was EUR 26,510 thousand (2016: EUR 18,300 thousand). This is mostly driven by:

   - net revenue reduction in national currency in Russia of 16% mainly due to decrease in the volume of sales. The Group's total sales volume of beer amounted to 12,801 hl in 2017 compared to 13,725 hl in 2016. The volume decline is driven mainly by a ban in production and sales of alcoholic products in PET (plastic) bottles having more than 1.5 liter in capacity which accounted for 23% of last year volume, while the rest is driven by market share decline in Russia by 1.31%.
   - Increase in cost of sales expenses of EUR 17,734 thousand (5,08%) due to increased costs relating to main ingredients and packaging. As a result, gross profit margin fell from 38.10% to 34.84%
   - Reduction in other operating income by EUR 8,113 thousand relating mainly to reduction of net forex gains resulting from operating activities when compared to the prior year. For more information refer to note 1b and note 9.
   - interest expense on loans in the amount of EUR 25,973 thousand compared to EUR 18,650 thousand in prior year, increase of EUR 7,323, representing 39.27% due to the increase of borrowings from related parties.
   - The Reduction of the selling, marketing and distribution expenses by EUR 15,225 thousand (8,15%) is also noteable. Specifically marketing and advertising costs decreased from EUR 76,188 thousand to EUR 58,248 thousand (reduction of 17,940 thousand, 23,55%) due to less marketing activities in 2017.

Other Comprehensive Loss for the year ended 31 December 2017 was EUR 4,424 thousand (2016: EUR 7,796 thousand income). Foreign currency translation loss in 2017 amounted to EUR 4,371 compared to EUR 7,939 thousand income in 2016. The overall negative impact of 2017 resulted from the devaluation of the Russian Ruble.

On 31 December 2017 the total assets of the Group were EUR 556,950 thousand (2016: EUR 568,717 thousand) and the net assets were EUR 6,208 thousand (2016: net assets EUR 37,142 thousand). The financial position, development and performance of the Group as presented in these consolidated financial statements are as expected given the market conditions in Ukraine and Russia (note 1b). The total average number of employees of the Group was 4,188 in 2017 (Russia 2,212, Ukraine 1,976) compared to 4,251 in 2016 (Russia 2,306, Ukraine 1,945).

The Group analyses its performance using EBITDA, which is a non-IFRS performance measure. EBITDA is defined as Results from operating activities plus depreciation and amortization and plus impairment losses on property, plant and equipment and intangible assets.

While the amounts included in EBITDA have been derived from the Group's consolidated financial statements, EBITDA is not a financial measure calculated in accordance with IFRS.

The Group presents EBITDA because it assists investors and analysts in comparing its performance across reporting periods on a consistent basis by excluding items that the Group believes are not indicative of its core operating performance.

Calculation of EBITDA for the years ended 31 December 2017 and 2016 is provided in the table below:

'000 Euro	**2017**	**2016**
Results from operating activities	**(15,138)**	**25**
Depreciation and amortization	49,699	50,439
Impairment loss	2,780	799
EBITDA	**37,341**	**51,263**

The decrease in EBITDA in 2017 comparing to 2016 is described above.

The Group did not carry out any research and development activities during the year.

Principal risks and uncertainties

4. The principal risks and uncertainties faced by the Group are disclosed in Notes 1, 2, 25 and 28 of the consolidated financial statements.

Future developments of the Group

5. Subsequent to the reporting date the Group disposed its ownership interests in its significant subsidiaries in Russia and Ukraine to a related party. For more information refer to Note 2(b) and 31.

Results

6. The Group's results for the year are set out on page 20 of the consolidated financial statements. The loss for the year is carried forward.

Dividends

7. The Board of Directors does not recommend the payment of dividend on the basis of the 2017 results. The Board of Directors may at a later stage consider the payment of interim dividends out of retained earnings, in accordance with the relevant provisions of the Companies Laws and the Articles of Association of the Company.

Share capital

8. 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.

9. 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

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

11. The Class A shares 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.

- On winding up of the Company, the surplus assets available for distribution shall be distributed proportionately among 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.

12. Class B shares have no restrictions on voting rights.

13. There wasn't a change in shareholders' structure in 2017.

As of 31 December 2017 the Group, which is beneficially owned by Anheuser-Busch InBev, had the following shareholders' structure:

14.

		Quantities			
#	**Name**	**A**	**B**	**Total**	**%**
1	Anheuser-Busch InBev N.V.	1	-	1	0.0000
2	InBev Belgium N.V.	1	-	1	0.0000
3	Brandbrew S.A.	1	-	1	0.0000
4	Interbrew International B.V.	-	1	1	0.0000
5	Worldoor Limited	73,014,377	12,285,318	85,299,695	73.1377
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	0.6391
8	Bank of New York (Nominees) Limited - New York	15,042,401	15,480,356	30,522,757	26.1708
		88,832,710	27,796,220	116,628,930	100.0000

The above shareholding remained unchanged as of five days before the date of approval of these consolidated financial statements.

The shareholders' structure as of 31 December 2016 was as follows:

		Quantities			
#	**Name**	**A**	**B**	**Total**	**%**
1	Anheuser-Busch InBev N.V.	1	-	1	0.0000
2	InBev Belgium N.V.	1	-	1	0.0000
3	Brandbrew S.A.	1	-	1	0.0000
4	Interbrew International B.V.	-	1	1	0.0000
5	Worldoor Limited	73,014,377	12,285,318	85,299,695	73.1377
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	0.6391
8	Bank of New York (Nominees) Limited - New York	15,042,401	15,480,356	30,522,757	26.1708
		88,832,710	27,796,220	116,628,930	100.0000

15. 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.

Board of Directors

16. The members of the Board of Directors for the year ended 31 December 2017 and at the date of this report are presented on page 1. There were no other significant changes in the composition, distribution of responsibilities or compensation of the Board of Directors.

17. There is no requirement in the Company's Articles of Association for retirement of Directors by rotation, all the Directors remain in 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 consolidated 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 subsequent to the reporting date

20. Other than as disclosed in Note 31 to the consolidated financial statements, there were no material events subsequent to the reporting date, which have a bearing on the understanding of the consolidated financial statements.

Independent Auditors

21. The independent auditors, Deloitte Limited, have expressed their willingness to continue in office and a resolution authorizing the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

Statement on Corporate governance pursuant to Article 151 of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Transparency Law")

Paragraphs 2a(i) – (iii) of Article 151 of the Companies Law

22. The Group complies with 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. The Company's corporate governance charter has been adopted but has not yet been implemented.

23. The Group's Corporate Governance Charter is generally based on the "Ten Principles of Corporate Governance" of the Luxembourg Stock Exchange. The Articles of Association of the Company further provide for the powers, duties and procedures of the Directors, and are also available on the Group's website, as cited above. For the purposes of effective compliance with the provisions of the Cypriot Auditors Act of 2017, which stipulate that listed companies should have an Audit Committee for the purposes of, between others, the monitoring of the financial reporting process, and the statutory audit of the annual and consolidated financial statements, the Company strengthened its board, during 2017 with two independent, non-executive Directors. Therefore, the Audit Committee now comprises of three directors, a majority of its members are independent, the Chairman has competence in accounting and auditing, and the committee members as a whole have competence relevant to the sector in which the Group is operating.

Paragraphs 2a (iv) of Article 151 of the Companies Law – 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 Transparency Law

24. The periodic information referred to in Part II of the Transparency Law, comprises of the annual financial report and the half-yearly financial report. 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 Transparency Law. Moreover, and as stipulated in Part II of the Transparency Law, the financial reports of the Group are prepared based on the applicable International Accounting Standards, the Transparency Law, as well as the provisions of the Companies Law, Cap. 113 in order to provide a true and fair view of the financial affairs of the Group.

25. The Secretary, the professional advisers of the Group 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 the required periodic information.

26. The Compliance Officers of the Group in relation to the obligations of the Transparency Law, ensure the timely publication of the necessary periodic information, and that this information includes the information required by the Transparency Law. This information is disclosed in accordance with the manner and time schedules set out in the Transparency Law. 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, Deloitte Limited, in accordance with the provisions of the Companies Law and the applicable International Accounting Standards.

Paragraph 2a (v) of Article 151 of the Companies Law

27. See paragraphs 8 to 15 above under "Share Capital", including the information regarding special rights attributed to classes of shares.

28. According to 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.

29. In accordance with the provisions of the Cyprus Companies Law, the Company may, by special resolution, amend its Articles of Association. A special resolution may be approved by a majority of 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.

Statement on Corporate governance pursuant to Article 151 of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Transparency Law")

Paragraph 2a (vi) of Article 151 of the Companies Law

Composition of the Board

30. For the Composition of the Board of Directors, refer to page 1 and paragraph 16 above. The Board of Directors consists of both executive and non-executive 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/Group's purposes. All powers not expressly reserved by Companies law to the general meeting of shareholders fall in the competencies of the Board.

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

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 Companies law and the principle of fair treatment to all existing shareholders.

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 Companies law from being a director of a company) as an alternate director to attend and vote in its 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.

Statement on Corporate governance pursuant to Article 151 of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Transparency Law")

Paragraph 2a (vi) of Article 151 of the Companies Law (continued)

Existence and nature of the internal control and risk management system

The Board has overall responsibility for the Group's internal control systems and for monitoring their effectiveness. The Group'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 Group and for considering the risks in the Group's businesses. Similarly, management also monitors risks associated with information technology, human resource management and regulatory compliance.

Evaluation of the Board

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

Senior Management

41. The Board of Directors has delegated the daily management of the Group to the Chief Executive Officer ("CEO"), who is assisted by a Chief Financial Officer ("CFO") and a Chief Legal Officer ("CLO").

Remuneration policy for Board Members and Senior Managers

42. The total amount of remuneration granted directly or indirectly by the Group to the members of its Board and to the CEO, CFO and CLO is fully described in the Note 29a(i) to the consolidated financial statements of the Group.

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

44. 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 29 of the consolidated financial statements.

Contracts with Directors and related parties

45. Other than the transactions and the balances with related parties referred to in Note 29 of the consolidated financial statements, there were no other significant contracts with the Group, or its subsidiaries at 31 December 2017 in which the Directors or their related persons had a material interest. Related parties 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 Directors' powers to committees

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

Statement on Corporate governance pursuant to Article 151 of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Transparency Law")

<u>Paragraph 2a (vi) of Article 151 of the Companies Law (continued)</u>

47. 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").

48. 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.

49. The composition, operation and internal regulation of the Audit Committee and the Nomination and Remuneration Committee of the Board of Directors is analysed below.

General rules regarding both committees

50. 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.

51. 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.

52. 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.

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

(a) Regulations for the Nominations and Remuneration Committee

(i) Role

54. The Responsibility of the Nominations 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 Nominations 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 Group;
- 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 recommending 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 required for the position. 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.

Statement on Corporate governance pursuant to Article 151 of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Transparency Law")

Paragraph 2a (vi) of Article 151 of the Companies Law (continued)

(ii) Composition

55. The Nomination and Remuneration Committee is composed exclusively of two directors of which one is independent. One of the non-executive director chairs the Nomination and Remuneration Committee.

(iii) Working rules

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

(b) Regulations for the Audit Committee

(i) Role

57. The Audit Committee exercises the duties and responsibilities provided for in section 78(5) of the Cypriot Auditors Act of 2017. These include the following:

- inform the Board of Directors of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;
- monitor the financial reporting process and submit recommendations or proposals to ensure its integrity;
- monitor the effectiveness of the undertaking's internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting of the Group, without breaching its independence;
- monitor the statutory audit of the annual consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the competent authority.
- review and monitor the independence of the statutory auditors or the audit firms and in particular the appropriateness of the provision of non-audit services to the Group; and
- be responsible for the selection of statutory auditors and recommends the statutory auditors to be appointed

(ii) Composition

58. The Audit Committee is composed exclusively of three directors which are non-executive directors. Two of the non-executive directors are independent and one chairs the Audit Committee. The members of the Audit Committee as a whole have competence relevant to the operations of its operating subsidiaries, in particular manufacture, market and distribute beers. Additionally, the chairman has competence in accounting and auditing.

Statement on Corporate governance pursuant to Article 151 of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Transparency Law")

Paragraph 2a (vi) of Article 151 of the Companies Law (continued)

(iii) Working rules

59. Towards the exercise of its duties and responsibilities, the Audit Committee, between others, is briefed by the external auditors of the Company in relation to the audit program, monitors the audit process, and in special meetings prior to the presentation of the annual and half-yearly accounts of the Group and the Company to the full Board of Directors, considers the content of the drafts, taking into account the views of the external auditors in relation to the annual, audited accounts. The Audit Committee informs the Board accordingly on the results of the statutory audit. The chairman of the Audit Committee ensures that minutes of meetings are prepared.

60. The Company does not have in place a special policy in relation to diversity of the Board of Directors. The Company considers that the current composition of the Board of Directors includes diversity in relation to age, gender, educational and professional background of its members.

By Order of the Board

Denis Khrenov
Chief Executive Officer

27 April 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of SUN Interbrew Plc

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of SUN Interbrew Plc (the "Company") and its subsidiaries (the "Group"), which are presented in pages 20 to 76 and comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Qualified Opinion

The Group's deferred tax asset is carried at EUR 65,044 thousand on the consolidated statement of financial position as at 31 December 2017, out of which the amount of EUR 50,687 thousand is related to unused tax losses. We were unable to obtain sufficient appropriate audit evidence which would enable us to confirm that it is probable that future taxable profits will be available against which the unused tax losses can be utilized, because we were not provided with the financial projections demonstrating the Group's ability to generate adequate taxable profits. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to Note 31 to the consolidated financial statements, which sets out the Board of directors decision of 8 March 2018 to dispose of the Company's direct and indirect ownership interests in its operating subsidiaries in Russia and Ukraine.

We also draw attention to Note 5 to the consolidated financial statements, which describes that during 2017 the Group has corrected material errors relating to prior periods and that comparative information for the year ended 31 December 2016 included into the current consolidated financial statements was restated accordingly.

Our opinion is not modified in respect of the above matters.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Going concern and Held for Sale and Discontinued Operations assessment The Group has a recent history of substantial operating losses and its current liabilities exceeded its current assets by EUR 297,908 thousand at 31 December 2017 (by EUR 223,323 thousand at 31 December 2016), which raises concerns about the ability of the Company and its subsidiaries to continue operating for at least 12 months after the date of the financial statements. Moreover, as disclosed in Note 31, subsequent to the reporting date the Company sold its operating subsidiaries in Russia and Ukraine to a related party outside of the Group. As a result of the above, we identified the applicability of the going concern assumption for preparation of the financial statements as a key audit matter because the basis of preparation has pervasive effect on the financial statements and may affect classification, presentation and measurement of assets and liabilities as at the reporting date. In addition, as a result of the disposal above the Group is required to assess if the criteria for the classification and presentation as a disposal group and discontinued operations under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are met as at the reporting period. We identified this to be a key audit matter because in making this assessment, it requires significant degree of judgement on behalf of the management.	Audit work performed included: • reviewing the supporting documents for obtaining an understanding of the events that occurred subsequent to the reporting date; • evaluating whether the criteria for classification of the disposed subsidiaries as a disposal group and discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are met as of the reporting date; • evaluating the judgements made by the management in reaching their conclusion under IFRS 5; including review of the sales and framework agreements, announcements and board resolutions and discussion with the management involved in the sales transaction; • assessing the requirements of IAS 1 'Presentation of financial statement' and IAS 10 'Events after the Reporting Period', in respect of the going concern assumption and whether it is applicable for the preparation of these financial statements; • assessing the management's intention not to liquidate the Group and continue the operations of the Group through new investments; • assessing the willingness, commitment and ability of the Group's ultimate parent, Anheuser Busch InBev, to provide financial support to the Group in the foreseeable future, on an as-needed basis; • evaluating the adequacy of the disclosures provided in the consolidated financial statements in respect of the basis used for

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Refer to Note 2 in the accompanying financial statements for the disclosures made by the Group regarding the going concern basis and the assessment regarding the held for sale and discontinued operations criteria under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.	preparation of the Group financial statements and judgements made. •
Impairment assessment of non-current assets The impairment assessment of property, plant and equipment ("PPE") and Intangibles with indefinite useful life is performed at the level of the Cash Generating Unit ("CGU") Russia and Ukraine. At 31 December 2017 the Group had intangible assets with indefinite useful life (including goodwill) of EUR 57,783 thousand allocated to Russia CGU, and PPE of EUR 176,890 thousand allocated to Russia and Ukraine CGU in amounts of EUR 141,490 thousand and EUR 35,400 thousand, respectively. The annual impairment testing was significant to our audit because of the financial quantum of the assets it supports, the impairment charges recognised in prior periods, the continued challenging economic conditions in the Russian Federation and Ukraine, as well as the fact that the testing relies on a number of critical judgements, estimates and assumptions. The Company uses a strategic plan based on external sources in respect of macro-economic assumptions, industry, inflation, foreign exchange rates and past experience and assumptions in terms of market share, revenue, variable and fixed cost, capital expenditure and working capital assumptions. The details on the accounting for intangibles and disclosure required under IAS 36 'Impairment of assets' are presented in Note 15 to the accompanying consolidated financial statements.	Audit work performed on management's impairment analysis included: • determining whether the input data used in the impairment model is in line with the approved budgets and forecasts; • assessing the reasonableness of the assumptions which are used in the management's forecasts with reference to recent performance, market conditions and historical trend analysis; • testing integrity and accuracy of the underlying model to assess whether the processes are applied to the correct input data; • assessing reasonableness of the discount rates applied in the impairment model; • assessing the appropriateness of the sensitivities applied by management to the impairment testing model and whether the scenarios reflect reasonably possible changes in key assumptions. We included valuation specialists in our team to assist us in these activities. We also assessed the historical accuracy of management's estimates, and effect of any deviations identified between past cash flow projections and actual cash flows, to the current management estimates. We also assessed the adequacy of disclosures in the consolidated financial statements in relation to PPE, goodwill and other intangibles with indefinite useful life and the annual impairment test.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, with respect to deferred tax asset of EUR 50,687 thousand, we were unable to obtain sufficient appropriate evidence which would enable us to confirm that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of the Board of Directors and those charged with governance 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Group on 17 February 2017 by the Board of Directors. Our appointment has been renewed by shareholder resolution representing a total period of uninterrupted engagement appointment of 2 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 27 April 2018 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the consolidated management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 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.

The engagement partner on the audit resulting in this independent auditor's report is Athos Chrysanthou.

Athos Chrysanthou
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors

Nicosia, 27 April 2018

SUN INTERBREW PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

	Notes	31 De2017	2016 (restated)
Continuing operations			
Revenue	7	563,121	564,003
Cost of sales		(366,887)	(349,153)
Gross profit		**196,234**	**214,850**
Selling, marketing and distribution expenses[1]		(171,692)	(186,917)
General and administrative expenses	8	(44,372)	(40,713)
Other operating income/(expenses), net	9	4,692	12,805
Results from operating activities		**(15,138)**	**25**
Finance income	11	8,348	2,134
Finance costs	11	(26,052)	(21,624)
Net finance costs		**(17,704)**	**(19,490)**
Loss before income tax		**(32,842)**	**(19,465)**
Income tax benefit	12	6,332	1,165
Loss for the year		**(26,510)**	**(18,300)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plan actuarial losses		(53)	(143)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation difference		(4,371)	7,939
Other comprehensive (loss)/income for the year		(4,424)	7,796
Total comprehensive loss for the year		**(30,934)**	**(10,504)**
Loss for the year attributable to:			
Owners of the Company		(25,894)	(17,180)
Non-controlling interests		(616)	(1,120)
Loss for the year		**(26,510)**	**(18,300)**
Total comprehensive income for the year attributable to:			
Owners of the Company		(30,321)	(9,381)
Non-controlling interests		(613)	(1,123)
Total comprehensive loss for the year		**(30,934)**	**(10,504)**
Loss per share			
Basic and diluted loss per share (EUR per share)	21	(0.22)	(0.15)

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

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 24 to 76.

[1] Selling, marketing and distribution expenses:
- Logistics costs – 80,589 (2016: 71,088)
- Marketing costs – 19,034 (2016: 24,276)
- Commercial costs – 58,248 (2016: 76,188)
- Depreciation of property, plant and equipment – 13,821 (2016: 15,365)

SUN INTERBREW PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

	Notes	31 December 2017	31 December 2016 (restated)	1 January 2016 (restated)
Assets				
Non-current assets				
Property, plant and equipment	13	176,890	195,297	176,979
Intangible assets	15	60,872	67,030	54,139
Available for sale financial assets		103	111	89
Non-current income tax assets		1,369	1,769	1,984
Deferred tax assets	16	65,044	63,194	50,957
Total non-current assets		**304,278**	**327,401**	**284,148**
Current assets				
Inventories	17	53,403	58,429	46,675
Loan granted to related party	25	-	778	-
Current income tax assets		546	593	1,044
Trade and other receivables	18	61,521	63,300	38,976
Prepayments	18.1	5,211	5,290	4,898
Cash and cash equivalents	19	131,991	103,587	71,885
Assets classified as held for sale	14	-	9,339	9,631
Total current assets		**252,672**	**241,316**	**173,109**
Total assets		**556,950**	**568,717**	**457,257**
Capital and reserves and liabilities				
Capital and reserves				
Share capital	20	1,809	1,809	1,809
Share premium	20	459,105	459,105	459,105
Accumulated losses	20	(186,880)	(160,933)	(143,610)
Translation reserve	20	(267,400)	(263,026)	(270,968)
Total capital and reserves attributable to the owners of the Company		**6,634**	**36,955**	**46,336**
Non-controlling interests		(426)	187	1,310
Total capital and reserves		**6,208**	**37,142**	**47,646**
Non-current liabilities				
Long-term loans and borrowings	22	-	66,540	-
Finance lease liabilities		2	238	108
Employee benefits	23	160	158	-
Total non-current liabilities		**162**	**66,936**	**108**
Current liabilities				
Loans and borrowings	22	290,966	192,102	165,935
Trade and other payables	24	259,614	272,537	243,363
Current income tax liabilities		-	-	205
Total current liabilities		**550,580**	**464,639**	**409,503**
Total liabilities		**550,742**	**531,575**	**409,611**
Total equity and liabilities		**556,950**	**568,717**	**457,257**

These consolidated financial statements were approved by the Board of Directors on 27 April 2018 and were signed on its behalf by:

Denis Khrenov – Chairman of the Board, Director and Chief Executive Officer ("CEO") ____________________

Vizhul Yevhenii – Director and Chief Financial Officer ("CFO") ____________________

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 24 to 76.

SUN INTERBREW PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

	Attributable to equity holders of the Company						
	Share capital	**Share premium**	**Accumulated losses**	**Translation reserve**	**Total**	**Non-controlling interests**	**Total**
Balance at 1 January 2016 (as previously reported)	**1,809**	**459,105**	**(147,688)**	**(270,968)**	**42,258**	**1,306**	**43,564**
Adjustments (see note 5)	-	-	4,078	-	**4,078**	4	**4,082**
Balance at 1 January 2016 (restated)	**1,809**	**459,105**	**(143,610)**	**(270,968)**	**46,336**	**1,310**	**47,646**
Comprehensive (loss)/income for the year							
Loss for the year	-	-	(17,180)	-	**(17,180)**	(1,120)	**(18,300)**
Defined benefit plan actuarial loss	-	-	(143)	-	**(143)**	-	**(143)**
Foreign currency translation difference	-	-		7,942	**7,942**	(3)	**7,939**
Total comprehensive (loss)/income for the year	-	-	(17,323)	7,942	**(9,381)**	(1,123)	**(10,504)**
Balance at 31 December 2016 (restated)	**1,809**	**459,105**	**(160,933)**	**(263,026)**	**36,955**	**187**	**37,142**
Loss for the year	-	-	(25,894)	-	**(25,894)**	(616)	**(26,510)**
Defined benefit plan actuarial loss	-		(53)		**(53)**	-	**(53)**
Foreign currency translation difference	-		-	(4,374)	**(4,374)**	3	**(4,371)**
Total comprehensive loss for the year	-	-	**(25,947)**	**(4,374)**	**(30,321)**	**(613)**	**(30,934)**
Balance at 31 December 2017	**1,809**	**459,105**	**(186,880)**	**(267,400)**	**6,634**	**(426)**	**6,208**

(1) Share premium is not available for distribution in the form of dividend.
(2) Share premium includes an amount of EUR 99,615 thousand which relates to issuance of shares of subsidiaries during a reorganization of the Group before the redomiciliation of the Company to Cyprus.

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 24 to 76.

SUN INTERBREW PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

	Notes	2017	2016 (restated)*
Cash flows from operating activities			
Loss for the year		**(26,510)**	**(18,300)**
Adjustments for:			
Depreciation and amortization	13, 15	49,699	50,439
Impairment losses on property, plant and equipment	13	2,423	548
Impairment losses on intangible assets	15	357	251
(Gain)/loss on disposal of property, plant and equipment	9	461	(2,223)
Interest expense, net of interest income	11	24,046	17,016
Forex resulting from operating activities	9	(156)	(3,989)
Unrealized foreign exchange (gain)/loss	11	(6,421)	2,150
Income tax benefit	12	(6,332)	(1,165)
Other non-cash items		541	654
Cash from operating activities before changes in working capital and provisions		**38,108**	**49,370**
Change in inventories		38	(2,021)
Change in prepayments for current assets		16	(393)
Change in trade and other receivables		(3,819)	(23,060)
Change in trade and other payables		12,049	3,108
Change in provisions and employee benefits		(457)	(145)
Cash flows from operations before income tax and interest paid		**45,935**	**26,859**
Interest paid		(23,811)	(17,654)
Income taxes paid		(1,390)	(361)
Net cash generated by operating activities		**20,734**	**8,844**
Cash flows from investing activities			
Loans granted		-	(829)
Loans repaid		-	61
Interest received		1,885	2,811
Proceeds from sale of property, plant and equipment		267	3,915
Proceeds from sale of assets held for sale		-	451
Acquisition of property, plant and equipment	13	(44,443)	(43,172)
Acquisition of intangible assets	15	(1,328)	(1,658)
Repayment of finance lease liabilities		(228)	-
Net cash used in investing activities		**(43,847)**	**(38,421)**
Cash flows from financing activities			
Proceeds from borrowings	22	105,631	195,040
Repayment of borrowings	22	(49,358)	(128,602)
Cash financing cost other than interests		(1,595)	(5,916)
Net cash generated by financing activities		**54,678**	**60,522**
Net increase in cash and cash equivalents		**31,565**	**26,955**
Cash and cash equivalents at the beginning of the year	19	**96,313**	**62,254**
Effects of exchange rate changes on the balance of cash held in foreign currencies		(3,512)	7,104
Cash and cash equivalents at the end of the year	19	**124,366**	**96,313**

* Please refer to Note 5 for details of the restated items of consolidated statement of cash flows for the year ended 31 December 2016.

The consolidated statement of cash flow is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 24 to 76.

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. The Company and its subsidiaries, outlined in Note 30, are collectively referred as the "Group". The Group is headed by Anheuser-Busch Inbev (the "Shareholder Group", "ABI") (see Note 29).

As at 31 December 2017 and 2016 99.16% of the Company's preference shares (Class A) and 100% of the ordinary shares (Class B) were effectively 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 depositary 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 Cyprus, Netherlands and Germany has controlling interests in the legal entities registered in Russia and Ukraine, which own 5 breweries and 2 malt plants in the Russian Federation and 3 breweries in Ukraine. Significant events which affect the Group's operations post year are disclosed in Note 31. As discussed in Note 30 in 2018 the Board of Directors of the Company approved the sale of it's operating subsidiaries to a related party and the sale transaction was executed in March 2018.

The Group manufactures, markets and distributes beers. The Group's operations are primary located in the Russian Federation and secondarily in Ukraine. The majority of the Group's funding comes from cash generated from its normal operating activities. In addition, when necessary, the Group seeks additional sources of support from within the group of companies headed by the Shareholder Group. As a result, the Group is economically dependent upon the Shareholder Group. In addition, the activities of the Group are closely linked with the requirements of the Shareholder Group. Related party transactions are disclosed in Note 29.

(b) Business environment

Russian business environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with the developments in the legal, regulatory, and political environment. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets. The impact of further economic and political developments on future operations and financial position of the Group might be significant.

Ukrainian business and political environment

In the recent years, Ukraine has been in a political and economic turmoil. In 2016-2017, an armed conflict continued in certain parts of Luhansk and Donetsk regions. These events resulted in higher inflation, devaluation of the national currency against major foreign currencies, decrease of GDP, illiquidity and volatility of financial markets. In January 2016, the agreement on the free trade area between Ukraine and the EU came into force. As a result, the Russian Federation implemented a trade embargo or import duties on key Ukrainian export products. In response, Ukraine implemented similar measures against Russian products.

1. BACKGROUND (CONTINUED)

(b) Business environment (continued)

The Ukrainian part of the Group business accounts for approximately 25 % of total Group revenues and 13% of total Group assets. In 2017, the Moody's Investors Service rating agency upgraded Ukraine's ratings for one point up with an outlook changed from “stable” to “positive”. The key factors in the credit rating upward change are the effect of structural reforms and the strengthening of Ukraine's position in the world market. According to financial experts' forecasts, the continuation of changes will improve the debt dynamics of Ukraine. Further disbursements of International Monetary Fund (“IMF”) tranches depend on the implementation of Ukrainian government reforms, and other economic, legal and political factors. However currently it is difficult to predict how further development of business and political environment in Ukraine could impact business of the Group in future.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Going concern basis

The Group has a recent history of substantial operating losses and its current liabilities exceeded its current assets by EUR 297,908 thousand at 31 December 2017 (by EUR 223,323 thousand at 31 December 2016), which raised concerns about the ability of the Group to continue as a going concern.

Further, in August 2017, the ultimate parent company, Anheuser-Busch Inbev (“AB InBev”), issued a press release announcing a non-binding agreement with Anadolu Efes, the leading brewer in Turkey, regarding a 50:50 merger of AB InBev’s and Anadolu Efes’ existing Russia and Ukraine businesses. This announcement followed AB InBev’s acquisition of a 24% stake in Anadolu Efes as part of the AB InBev’s combination with SABMiller, which was completed in October 2016. The merge transaction remained conditional on the completion of satisfactory due diligence and was subject to regulatory approvals in Russia, Ukraine and other authorities. The combination of the companies’ operations in Russia and Ukraine would strengthen the competitive position of both AB InBev’s and Anadolu Efes’ brands in these markets, with the potential for further growth. The combined business’ ambitions would be to lead the Russian and Ukrainian markets, with a diverse portfolio of brands and a broader range of beers for consumers. During 2018, the merge transaction was approved by the regulatory authorities and the relevant Framework agreement was concluded and signed by AB InBev Group and Anadolu Efes. As a part of the merger process between AB InBev Group and Anadolu Efes in Russia and Ukraine, the Company disposed of its ownership interests in its operating subsidiaries in Russia and Ukraine (note 30). Please refer for further information to note 31.

As a result, of the post year-end disposal, the directors evaluated whether the going concern assumption was still appropriate for the Group in preparing these consolidated financial statements. In making this judgement, the management has considered whether in accordance with IAS 1 ‘Presentation of financial statement’ and IAS 10 ‘Events after the Reporting Period’ the going concern assumption is still applicable for the preparation of these consolidated financial statements, and evaluated the following factors:

- In spite of the disposal of the operating subsidiaries by the Group subsequent to the reporting date, the management of the Group does not intent to either liquidate or keep the Group as dormant;
- The Group management has indicated its intention to continue to explore investment opportunities for acquiring or transferring new operating subsidiaries to the Group to allow it to continue its operations as a going concern;

2. BASIS OF PREPARATION (CONTINUED)

(b) Going concern basis (continued)

- The consideration for the disposal of the operating subsidiaries was fully paid in cash, thus increasing the liquidity of the Group;
- Following the disposal of it operating subsidiaries, the Group is therefore financially able to invest in new acquisitions;
- In addition, the Group received confirmation of financial support from its ultimate parent company that will enable it to continue in operation for at least 12 months from the date of the consolidated financial statements.

After considering all the factors above, related uncertainties, management's intentions and the Shareholder Group support confirmation, the management has a reasonable expectation that the Group will continue operations and for this reason believes it is appropriate to continue to adopt the going concern basis in preparing the consolidated financial statements.

The Group analysed the criteria under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', for classifying the assets and liabilities of the Russian and Ukrainian businesses as a disposal group and has considered the following factors as of 31 December 2017:

- The agreement was non-binding and subject to certain conditions which included receipt of the necessary regulatory approvals, satisfactory completion of the due diligence process and agreement of the transaction price;
- The agreement did not outline specific details of the legal structure of the merger. Therefore, at the reporting date, the management had no intention to dispose or valid expectation that its operating subsidiaries would had been disposed;
- The approvals from the relevant antimonopoly authorities were outstanding;
- The management assessed the regulatory process in the different jurisdictions and the likelihood of such approvals to be denied or delayed, and based on its experience have concluded that there are reasonable concerns as of the reporting date;
- The Group shareholder concluded to the price and approved the sales deal structure only in the period post year end;
- The Group committed to the sale of the operating subsidiaries only subsequent to the year-end.

Based on the above analysis, the Group concluded that the IFRS 5 criteria were not met as of 31 December 2017 and, accordingly, the Group did not classify the disposal group as Held for Sale.

(c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except as otherwise stated.

(d) Functional and presentation currency

The Company's functional currency is the Euro. Items included in the Group's consolidated 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 the Ukrainian Hryvnia, 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.

The exchange rates used by the Group in the preparation of the financial statements are presented in Note 25 (d).

2. BASIS OF PREPARATION (CONTINUED)

(e) 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 as well as critical estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and have a significant risk of resulting in material adjustment to the carrying amounts of the assets and liabilities within the next financial year are included in the following notes:

Note 13 – Impairment of property plant and equipment
Note 15 – Goodwill impairment
Note 16 – Deferred tax assets recoverability
Note 25 – Financial instruments and risk management
Note 28 – Contingencies.

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 unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and their subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- The size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(ii) 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.

(iii) 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) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combinations (continued)

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Subsidiaries held for sale and disposal of investments in subsidiaries

IAS 27 requires that if a subsidiary that had previously been consolidated is now being held for sale, the parent must continue to consolidate such a subsidiary until it is actually disposed of. It is not excluded from consolidation and should be reported as an asset held for sale under IFRS 5.

The partial disposal of an investment in a subsidiary while control is retained is accounted for as an equity transaction with owners, and the gain or loss on the disposal is not recognized in consolidated statement of profit or loss. The partial disposal of an investment in a subsidiary that results in loss triggers re-measurement of the residual holding to fair value. Any difference between the fair value and the carrying amount is a gain or loss on the disposal, recognized in profit or loss. Assets and liabilities sold are deconsolidated from the balance sheet.

(c) Foreign currency

(i) Foreign currency transactions

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is EURO ("EUR"). The functional currency of the subsidiary JSC SunInbev Russia is the national currency of the Russian Federation, Russian Roubles ("RUB"). The functional currency of the subsidiary PJSC Sun InBev Ukraine is the national currency of the Ukraine, Ukrainian Hrivnya ("UAH"). The consolidated financial statements are presented in EURO, which is the Group's presentation currency.

(ii) Foreign entities

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency (continued)

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 income/loss, 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 income/loss, 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:

- 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;
- 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
- all resulting exchange differences shall be recognized in other comprehensive income/loss.

The information about the rates used to translate the financial information of the subsidiaries is provided in Note 25(d).

(d) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise mainly of investments of 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. 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 reporting 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 18, cash and cash equivalents as presented in Note 19 and loans to related parties as presented in Note 29 (b).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, overdrafts, demand deposits and highly liquid investments with maturities at initial recognition of three months or less from the date of acquisition.

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(j)(i)) and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive loss/income and are 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.

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

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

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 shares

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.

(e) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation for self-constructing and purchased assets starts when the assets are ready for use. 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	20 to 33 years
• plant and equipment	5 to 15 years
• transportation and office equipment	3 to 5 years
• packaging materials	2 to 10 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(j).

(f) Non-current assets classified as held for sale

Non-current assets are classified in the consolidated statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the sign off date. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Although the Group was not able to complete the sale of the assets within one year due to deteriorating market conditions that were beyond of the Group's control, it continues to actively market the assets at a price that is reasonable, given the change in market circumstances, and therefore the extension of the period required to complete the sale does not preclude the assets from being classified as held for sale.

Non-current assets classified as held for sale in the current period's consolidated statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified. Held for sale non-current assets are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment are not depreciated or amortised.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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, because the Group has plans to produce and sell those brands for an indefinite period of time. Expenditure on internally generated brands is recognised in the consolidated statement of comprehensive income 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.

(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)

(g) Intangible assets (continued)

(vi) Amortisation

Amortisation is calculated over the useful economic life of the intangible asset less any 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 and other intangibles 3-5 years

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

(h) 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.

(i) 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 inventories to their existing location and condition (ready and available for sale). In 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.

(j) 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)

(j) Impairment (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 post-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)

(j) Impairment (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.

(k) 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 a few of its employees upon retirement. The subsidiary recognises all actuarial gains and losses arising from the plan in other comprehensive income/loss 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.

(l) Provisions

Provisions are recognized when (i) the Group has a present legal or constructive obligation as a result of past events, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Costs relating to the ongoing activities of the company are not provided for. The provision includes the benefit commitments in connection with early retirement and redundancy schemes.

A provision for disputes and litigation is recognized when it is more likely than not that the Group will be required to make future payments as a result of past events, such items may include but are not limited to, several claims, suits and actions both initiated by third parties and initiated by the Group relating to antitrust laws, violations of distribution and license agreements, environmental matters, employment related disputes, claims from tax authorities, and alcohol industry litigation matters.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue

Sale of goods

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably. In relation to the sale of beverages and packaging, revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding recovery of the consideration due, associated costs or the possible return of goods, and there is no continuing management involvement with the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, excise taxes, trade discounts, volume rebates, discounts for cash payments and other incentives.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of beer, transfer usually occurs either when the product is accepted by the customer from the carrier or when the product is shipped to the carrier. Generally for such products the buyer has no right of return except for the situation when the delivered product has an inappropriate quality.

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. Such obligation is presented in other payables in the statement of financial position.

Revenue is presented net of taxes, bonuses and other incentives to customers.

(n) 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.

(o) 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.

(p) 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 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 expense 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)

(p) 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.

(q) 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.

(r) 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 One Europe 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 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.
For more information on segmental reporting see note 6.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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 reporting date, if payment under a contract becomes probable, and the amount recognised less cumulative amortization.

(t) Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. The income from government grants is included in other operating income/(expense) line of the Consolidated statement of comprehensive income.

(u) New Standards and Interpretations

IFRS and IFRIC interpretations adopted in the current year

The Group has adopted all of the new and revised International Financial Reporting Standards (IFRS) and Interpretations that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2017. The adoption of such standards did not have a material impact on the Group’s consolidated financial statements, except for the effects of amendments to IAS 7 as described below.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group’s liabilities arising from financing activities consist of borrowings, including finance lease liabilities. A reconciliation between the opening and closing balances of them is provided in Note 22. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 22, the application of these amendments has had no impact on the Group's consolidated financial statements.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) IFRS and IFRIC interpretations in issue but not yet effective

At the date of authorization of these consolidated financial statements, the following standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2018 or later periods and which the entity has not early adopted:

Standards and Interpretations	**Adopted by the European Union Effective for annual periods on or after**	**Not yet adopted by the European Union Effective for annual periods on or after**
IFRS 9 "Financial Instruments"	1 January 2018	
IFRS 15 "Revenue from Contracts with Customers"	1 January 2018	
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	
IFRS 16 "Leases"	1 January 2019	
IFRS 17 "Insurance Contracts"		1 January 2021
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	1 January 2018	
IFRIC 23 "Uncertainty Over Income Tax Treatments"		1 January 2019
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		Deferred Indefinitely
Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions	1 January 2018	
Amendments to IAS 40 – Transfers of Investment Property	1 January 2018	
Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	
Amendments to IFRS 9 – Prepayment Features With Negative Compensation	1 January 2019	
Amendments to IAS 28 – Long-Term Interests in Associates and Joint Ventures		1 January 2019
IFRS 14 Regulatory Deferral Accounts		Postponed
Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement		1 January 2019
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018	
Annual Improvements to IFRSs 2015-2017 Cycle		1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards		1 January 2020

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) IFRS and IFRIC interpretations in issue but not yet effective (continued)

Classification and measurement of financial liabilities. With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

Impairment. In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Hedge accounting. The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The standard is effective from 1 January 2018 with early application permitted. The full impact of adopting IFRS 9 on the Group's consolidated financial statements in the year of adoption will depend on the financial instruments that the Group has during 2018 as well as on the economic conditions and judgments made as at the year end. Group has elected not to restate comparatives on initial application of IFRS 9. Based on a preliminary analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the management of the Group has assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Classification and measurement: The Group has mainly financial assets and liabilities measured at amortized cost and therefore will continue to classify and measure them on the same bases as is currently adopted under IAS 39.

Impairment: Financial assets measured at amortised cost (loans and receivables and cash and cash equivalents as disclosed in Note 25) will be subject to the impairment provisions of IFRS 9. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade and other receivables, notes receivable, long-term deposits in banks and cash and cash equivalents as required or permitted by IFRS 9. In general, the management anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items; however, the management anticipates that the impact will not be significant.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) IFRS and IFRIC interpretations in issue but not yet effective (continued)

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue mainly from wholesale of goods to its customers, has no loyalty programs or specific guarantees. Therefore, apart from providing more extensive disclosures on the Group's revenue transactions, the management does not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group. Management intends to use the following method of IFRS 15 application: retrospectively with the cumulative effect of initially applying the Standard recognized at the date of initial application (not full retrospective method of transition).

***IFRS 16* Leases**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially recognized at cost and subsequently accounted for at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion, which will be presented as financing and operating cash flows, respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or as a finance lease. Furthermore, IFRS 16 sets out even more extensive disclosure requirements.

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.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

(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.

(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.

(d) Assets classified as held for sale

Fair value, which is determined for the purposes of measuring the assets classified as held for sale at the lower of their carrying amount and fair value less costs to sell, is determined either based upon the negotiated selling price or based upon the fair value estimated by a qualified appraiser.

(e) Cash and cash equivalents

The fair value of cash and cash equivalents, which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of cash and cash equivalent approximates their carrying amount.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

5. RESTATEMENT OF COMPARATIVE INFORMATION

(a) Depreciation and loss on disposal in relation to impaired property, plant and equipment

After consolidated financial statements for the year ended 31 December 2016 were authorized for issue the management of the Group determined that the depreciation and loss on disposal in relation to impaired property, plant and equipment were incorrectly calculated and reflected in the consolidated financial statements for the year ended 31 December 2016. Discovered error was corrected through adjustment of comparative information for the year ended 31 December 2016 disclosed in the current consolidated financial statements of the Group.

The effect of the adjustment of comparative information on property, plant and equipment as at 31 December 2016 and 1 January 2016 was EUR 12,805 thousand and EUR 5,103 thousand respectively.

The effect of the adjustment of comparative information on total capital and reserves as at 31 December 2016 and 1 January 2016 was EUR 10,244 thousand and EUR 4,082 thousand respectively.

The table below discloses significant changes due to retrospective adjustments in the consolidated statement of financial position as at 1 January 2016:

	1 January 2016 (previously reported)	Adjustment due to correction of error	1 January 2016 (restated)
Property, plant and equipment	171,876	5,103	176,979
Deferred tax assets	51,978	(1,021)	50,957
Accumulated losses	(147,688)	4,078	(143,610)
Non-controlling interests	1,306	4	1,310

The table below discloses significant changes due to retrospective adjustments in the consolidated statement of financial position as at 31 December 2016:

	31 December 2016 (previously reported)	Adjustment due to correction of error	31 December 2016 (restated)
Property, plant and equipment	182,492	12,805	195,297
Deferred tax assets	65,755	(2,561)	63,194
Accumulated losses	(169,827)	8,894	(160,933)
Translation reserve	(264,106)	1,080	(263,026)
Non-controlling interests	(84)	270	187

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

5. RESTATEMENT OF COMPARATIVE INFORMATION (CONTINUED)

The table below discloses significant changes due to retrospective adjustments in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016:

	Year ended 31 December 2016 (previously reported)	Adjustment due to correction of error	Year ended 31 December 2016 (restated)
Cost of sales	(352,463)	3,310	(349,153)
Selling, marketing and distribution expenses	(219,222)	74	(219,149)
General and administrative expenses	(40,968)	255	(40,713)
Other operating income/(expenses), net	10,089	2,716	12,805
Income tax benefit/(expense)	2,436	(1,271)	1,165
Loss for the year	**(23,384)**	**5,084**	**(18,300)**
Other comprehensive income			
Foreign currency translation difference	6,860	1,079	7,939
Total comprehensive loss	**(16,667)**	**6,163**	**(10,504)**
Loss for the year attributable to:			
Owners of the Company	(21,996)	4,816	(17,180)
Non-controlling interests	(1,388)	268	(1,120)
	(23,384)	**5,084**	**(18,300)**
Total comprehensive income for the year attributable to:			
Owners of the Company	(15,277)	5,896	(9,381)
Non-controlling interests	(1,390)	267	(1,123)
	(16,667)	**6,163**	**(10,504)**
Loss per share	**(0.19)**		**(0.15)**

The table below discloses significant changes due to retrospective adjustments in the consolidated statement of cash flows for the year ended 31 December2016:

	Year ended 31 December 2016 (previously reported)	Adjustment due to correction of error	Year ended 31 December 2016 (restated)
Cash flows from operating activities			
Loss for the year	(23,384)	5,084	(18,300)
Depreciation and amortization	54,077	(3,638)	50,439
Gain/loss on disposal of property, plant and equipment	493	(2,716)	(2,223)
Income tax benefit	(2,436)	1,271	(1,165)

(b) Classification of expenses accompanying goods sale contracts

The Group adjusted comparative information for the year ended 31 December 2016. Adjustment relates to the error in classification of marketing expenses that are aimed at the customers' sales growth in the amount EUR 32,232 thousand. The Group classifies these expenses as a reduction of revenue from sale of goods. In the previous financial statements such expenses were classified as marketing expenses.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

5. RESTATEMENT OF COMPARATIVE INFORMATION (CONTINUED)

The table below discloses significant changes due to retrospective adjustments in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016:

	Year ended 31 December 2016 (previously reported)	Adjustment due to correction of error	Year ended 31 December 2016 (restated)
Revenue	596,235	(32,232)	564,003
Selling, marketing and distribution expenses*	(219,148*)	32,232	186,917

*presented after the effect of prior year error correction outlined in 5(a).

6. 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/(loss) 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

2017 **'000 EUR**	**Russia**	**Ukraine**	**Total**
Total segment revenue	426,573	137,948	564,521
Inter-segment revenue	(1,400)	-	(1,400)
Total Revenue from third parties	**425,173**	**137,948**	**563,121**
Cost of sales	(260,695)	(106,192)	(366,887)
Selling, marketing and distribution expenses	(139,918)	(31,774)	(171,692)
General and administrative expenses	(32,290)	(12,082)	(44,372)
Other operating expenses, net	5,339	(647)	4,692
Finance income	8,297	51	8,348
Finance costs	(23,938)	(2,114)	(26,052)
Reportable segment loss before income tax	**(18,032)**	**(14,810)**	**(32,842)**
Assets			
Goodwill	46,326	-	46,326
Brands and trade-marks	11,457	-	11,457
Other non-current segment assets	200,677	45,916	235,419
Total non-current assets	**258,362**	**45,916**	**304,278**
Other current assets	227,673	35,340	263,013
Inter-segment assets	(98)	(243)	(341)
Total current assets	**227,575**	**35,097**	**252,672**
Liabilities			
Reportable segment liabilities	(467,460)	(83,623)	(551,083)
Inter-segment liabilities	243	98	341
Total	**(467,217)**	**(83,525)**	**(550,742)**
Other items			
Interest income	1,876	51	1,927
Interest expense	(23,859)	(2,113)	(25,973)
Capital expenditure	(28,632)	(19,139)	(47,771)
Depreciation and amortization	(31,540)	(18,151)	(49,699)
Impairment of property, plant and equipment and intangible assets	(2,168)	(612)	(2,780)
Income tax benefit	4,169	2,163	6,332

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

6. OPERATING SEGMENTS (CONTINUED)

(i) Information about reportable segments (continued)

2016 '000 EUR	Russia (restated)	Ukraine	Total (restated)
Total segment revenue	417,028	147,024	564,052
Inter-segment revenue	(49)	-	(49)
Total Revenue from third parties	**416,979**	**147,024**	**564,003**
Cost of sales	(248,818)	(100,335)	(349,153)
Selling, marketing and distribution expenses	(147,839)	(39,078)	(186,917)
General and administrative expenses	(27,402)	(13,311)	(40,713)
Other operating income/(expenses), net	14,313	(1,508)	12,805
Finance income	2,108	26	2,134
Finance costs	(19,240)	(2,384)	(21,624)
Non-Recurring impairment loss	-	-	-
Reportable segment loss before income tax	**(9,899)**	**(9,566)**	**(19,465)**
Assets			
Goodwill	49,995	-	49,995
Brands and trade-marks	12,738	-	12,738
Other non-current segment assets	198,338	66,330	264,668
Total non-current assets	**261,071**	**66,330**	**327,401**
Other current assets	210,740	21,910	232,650
Assets classified as held for sale	9,339	-	9,339
Inter-segment assets	(266)	(407)	(673)
Total current assets	**219,813**	**21,503**	**241,316**
Liabilities			
Reportable segment liabilities	(448,365)	(83,883)	(532,248)
Inter-segment liabilities	407	266	673
Total liabilities	**(447,958)**	**(83,617)**	**(531,575)**
Other items			
Interest income	2,108	26	2,134
Interest expense	(16,289)	(2,361)	(18,650)
Capital expenditure	(23,059)	(19,864)	(42,923)
Depreciation and amortization	(32,790)	(17,649)	(50,439)
Impairment of property, plant and equipment and intangible assets	(547)	(252)	(799)
Income tax benefit/(expense)	1,355	(190)	1,165

(ii) Major customers

In 2017, as well as in 2016, there were no customers which represented 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.

7. REVENUE

	2017	2016
Beer	555,640	557,065
Soft drinks	7,481	6,938
	563,121	**564,003**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

8. GENERAL AND ADMINISTRATIVE EXPENSES

'000 EUR	**2017**	**2016 (restated)**
Fixed administrative costs	(25,445)	(27,078)
Service fee costs	(10,644)	(4,121)
Supply chain overheads	(2,356)	(4,959)
Depreciation, amortisation and impairment	(5,927)	(4,555)
	(44,372)	**(40,713)**

The remuneration of the auditors for the statutory audit provided to the Group is included to the Service fee costs and amounts to EUR 271 thousand (2016: EUR 233 thousand) plus out of pocket expenses of EUR7,800. The auditors remuneration for non-audit services offered to the Group, included to the Service fee costs, amounts to EUR 35 thousand (2016: EUR 128 thousand).

9. OTHER OPERATING INCOME / (EXPENSES), NET

'000 EUR	**2017**	**2016 (restated)**
Government Grant gains	6,404	5,945
Forex resulting from operating activities (losses)/gains	(156)	3,989
Restructuring expenses / payments to employees	(1,517)	(702)
(Loss)/gain on disposal of property, plant and equipment	(461)	2,223
Other gains	422	1,350
Other (losses) / gains , net	**4,692**	**12,805**

The government grants received by the Group relate to compensation of costs relating to production of malt from the local raw materials, which are provided in some of the regions of the Russian Federation.

10. PERSONNEL COSTS

'000 EUR	**2017**	**2016**
Wages and salaries	51,457	46,419
Compulsory social security contributions and contributions to State pension fund	10,446	10,909
Other employee benefits	6,617	5,228
Additional compensation to employees due to restructuring of business included into other operating expenses	1,517	702
	70,037	**63,258**

The personnel costs include Directors' remuneration in their capacity as directors (Note 29).

The average number of employees for 2017 was 4,188 (2016: 4,251).

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

11. FINANCE INCOME AND FINANCE COSTS

'000 EUR	2017	2016
Recognised in profit or loss		
Interest income on loans and receivables	996	-
Interest income on deposits	931	2,134
Net foreign exchange gain	6,421	-
Finance income	**8,348**	**2,134**
Interest expense on loans and borrowings	(25,973)	(18,650)
Net foreign exchange loss	-	(2,150)
Other	(79)	(824)
Finance costs	**(26,052)**	**(21,624)**
Net finance costs recognised in profit or loss	**(17,704)**	**(19,490)**

12. 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% (2016: 20%).
The statutory income tax rate applicable to the Ukrainian companies is 18% (2016: 18%).
The holding company in Cyprus is subject to corporation tax on taxable profits at the rate of 12.5% (2016: 12.5%).

'000 EUR	2017	2016 (restated)
Current tax expense		
Current year and income tax adjustment relating to previous years	1,247	829
	1,247	**829**
Deferred tax expense (Note 16)		
Origination and reversal of temporary differences	(7,579)	(1,994)
	(7,579)	**(1,994)**
Total income tax benefit	**(6,332)**	**(1,165)**

Reconciliation of effective tax rate:

	2017	2016 (restated)
Loss before income tax	**(32,842)**	**(19,465)**
Tax credit calculated at corporate tax rates (12.5%)	(4,105)	(2,433)
Tax effect of:		
- Expenses non deductible for tax purposes	425	915
- Write-off of deferred tax assets	19	608
Effect of higher tax rates applicable to the Russian and Ukrainian subsidiaries	(2,458)	(1,332)
Income tax charge / (benefit) relating to previous years	(213)	1,077
Total income tax benefit	**(6,332)**	**(1,165)**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

13. PROPERTY, PLANT AND EQUIPMENT

'000 EUR	Land and buildings	Plant and equipment	Transportation and office equipment	Packaging materials	Assets under construction	Total
Cost						
Balance at 1 January 2016 (Restated)	**166,985**	**378,824**	**116,604**	**21,998**	**44,018**	**728,429**
Additions	3,216	10,192	9,336	7,963	12,465	43,172
Interest capitalization	-	-	-	-	124	124
Disposals	(1,611)	(9,991)	(9,095)	(3,841)	(80)	(24,618)
Transfers	3,172	18,067	13,004	-	(29,399)	4,844
Effect of movements in exchange rates	32,641	66,104	16,306	967	3,862	119,880
Balance at 31 December 2016 (Restated)	**204,403**	**463,196**	**146,155**	**27,087**	**30,990**	**871,831**
Balance at 1 January 2017	**204,403**	**463,196**	**146,155**	**27,087**	**30,990**	**871,831**
Additions	3,282	9,321	16,894	7,337	9,609	46,443
Interest capitalization	-	-	-	-	140	140
Disposals	(3)	(9,761)	(8,388)	(4,715)	(174)	(23,041)
Transfers from assets held for sale (Note 14)	43	28,719	204	-	-	28 966
Transfers	2,025	3,085	3,694	805	(9 609)	-
Effect of movements in exchange rates	(17 548)	(41 290)	(15 309)	(3 604)	(3 581)	(81 332)
Balance at 31 December 2017	**192,202**	**453,270**	**143,250**	**26,910**	**27,375**	**843,007**
Depreciation and impairment losses						
Balance at 1 January 2016 (Restated)	**(114,844)**	**(328,178)**	**(90,317)**	**(12,875)**	**(5,236)**	**(551,450)**
Depreciation for the year	(6,735)	(21,683)	(14,911)	(5,375)	-	(48,704)
Impairment loss	(12)	(53)	(481)	-	(2)	(548)
Disposals	1,611	9,991	9,061	3,159	-	23,822
Transfers	(735)	(2,551)	(456)	-	2	(3,740)
Effect of movements in exchange rates	(23,528)	(58,387)	(12,728)	(1,043)	(228)	(95,914)
Balance at 31 December 2016 (Restated)	**(144,243)**	**(400,861)**	**(109,832)**	**(16,134)**	**(5,464)**	**(676,534)**
Balance at 1 January 2017	**(144,243)**	**(400,861)**	**(109,832)**	**(16,134)**	**(5,464)**	**(676,534)**
Depreciation for the year	(7,902)	(19,726)	(14,067)	(6,223)	-	(47,918)
Impairment loss	-	(1,609)	(378)	-	(436)	(2,423)
Disposals	3	9,872	8,331	4,107	-	22,313
Transfers from assets held for sale (Note 14)	(17)	(19,801)	(146)	-	-	(19,964)
Transfers	78	88	3	-	(169)	-
Effect of movements in exchange rates	10,554	34,381	11,068	2,273	133	58,409
Balance at 31 December 2017	**(141,527)**	**(397,656)**	**(105,021)**	**(15, 977)**	**(5, 936)**	**(666,117)**
Carrying amounts						
At 1 January 2016	**52,141**	**50,646**	**26,287**	**9,123**	**38,782**	**176,979**
At 31 December 2016	**60,160**	**62,335**	**36,323**	**10,953**	**25,526**	**195,297**
At 31 December 2017	**50,675**	**55,614**	**38,229**	**10,933**	**21,439**	**176,890**

Depreciation expense of EUR 29,900 thousand (2016: EUR 30,510 thousand) has been charged to cost of sales, EUR 13,821 thousand (2016: EUR 15,365 thousand) to distribution expenses and EUR 4,197 thousand (2016: EUR 2,829 thousand) to general and administrative expenses.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment loss

The impairment loss recognized during 2017 in amount of EUR 2,780 thousand relates to impairment of certain individual assets, which mostly represent plant and equipment in Russia and Ukraine and impairment of certain brands and trademarks in the Russian segment, see Note 15. The impairment loss was included into cost of sales, selling, marketing and distribution or general and administrative expenses lines of Consolidated Statement of profit or loss depending on the nature of the respective items of property, plant and equipment. No further impairment was deemed necessary following the completion of management's impairment assessment.

As of 31 December 2017 the Group made an assessment whether there is any indication that the property, plant and equipment may be impaired and concluded, that certain indications were present. Accordingly, that Group performed an impairment test in relation to its property, plant and equipment as of 31 December 2017, which was combined with the annual impairment test in respect of goodwill and intangible assets with indefinite useful life at the CGU level. Following completion of the impairment assessment management concluded, that no impairment charge was necessary for the Russian and Ukrainian CGU's as of 31 December 2017. Analysis of the assumptions used in the impairment test are described in Note 15(b).

The impairment loss recognized during 2016 of EUR 799 thousand related mainly to impairment of certain assets in the Ukrainian operating segment.

14. ASSETS CLASSIFIED AS HELD FOR SALE

In 2015 management of the Group approved a formal plan of selling certain assets in Perm as well as breweries in Novocheboksarsk and Kursk within twelve months. Consequently, respective assets were classified as assets held for sale in the consolidated statement of financial position at 31 December 2015. In accordance with the adopted plan, during 2016 the Group actively solicited and successfully sold Novocheboksarsk and Kursk breweries. Due to deteriorating market conditions beyond the Group's control, the Group was not able to identify buyers for Perm assets in 2017. Therefore the Group decided to reflect previously classified assets as held for sale back to property, plant and equipment. The amount of the reclassification amounted to EUR 9,002 thousand, see Note 13.

The following represents the carrying value of assets classified as held for sale at 31 December 2016:

'000 EUR	**Perm**	**Other**	**Total**
Buildings	26	-	26
Plant and equipment	9,194	58	9,252
Furniture and vehicles	4	-	4
IT equipment	8	31	39
Other assets	-	18	18
	9,232	**107**	**9,339**

During 2016 proceeds from the sale of assets classified as held for sale amounted to EUR 451 thousand.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

15. INTANGIBLE ASSETS

'000 EUR	Goodwill	Software	Software under develop-ment	Other intangibles	Brands and trade-marks	Total
Cost						
Balance at 1 January 2016	**50,077**	**20,764**	**1,535**	**250**	**10,204**	**82,830**
Additions	-	5	1,592	61	-	1,658
Interest capitalisation	-	-	-	-	-	-
Disposals	-	(834)	-	(133)	-	(967)
Transfers	-	209	(1 484)	895	-	(380)
Effect of movement in exchange rates	9,965	4,597	225	132	2,630	17,549
Balance at 31 December 2016	**60,042**	**24,741**	**1,868**	**1,205**	**12,834**	**100,690**
Balance at 1 January 2017	**60,042**	**24,741**	**1,868**	**1,205**	**12,834**	**100,690**
Additions	-	-	1,328	-	-	1,328
Interest capitalisation	-	-	-	-	-	-
Disposals	-	(5)	-	-	-	(5)
Transfers	-	383	(1 703)	919	-	(401)
Effect of movement in exchange rates	(3,669)	(1,420)	(160)	(137)	(1,035)	(6,421)
Balance at 31 December 2017	**56,373**	**23,699**	**1,333**	**1,987**	**11,799**	**95,191**

'000 EUR	Goodwill	Software	Software under develop-ment	Other intangibles	Brands and trade-marks	Total
Amortisation and impairment losses						
Balance at 1 January 2016	**(10,047)**	**(18,298)**	**-**	**(250)**	**(96)**	**(28,691)**
Amortisation for the year	-	(1,516)	-	(219)	-	(1,735)
Impairment loss (Note 13)	-	-	(251)	-	-	(251)
Disposals	-	904		133	-	1,037
Transfer	-	-	-	-	-	-
Effect of movement in exchange rates	-	(3,999)	-	(21)	-	(4,020)
Balance at 31 December 2016	**(10,047)**	**(22,909)**	**(251)**	**(357)**	**(96)**	**(33,660)**
Balance at 1 January 2017	**(10,047)**	**(22,909)**	**(251)**	**(357)**	**(96)**	**(33,660)**
Amortisation for the year	-	(1,100)	-	(681)	-	(1,781)
Impairment loss (Note 13)	-	-	-	-	(357)	(357)
Disposals	-	5	-	-	-	5
Transfers	-	(251)	251	(16)	-	(16)
Effect of movement in exchange rates	-	1,326	-	53	111	1,490
Balance at 31 December 2017	**(10,047)**	**(22,929)**	**-**	**(1,001)**	**(342)**	**(34,319)**
Carrying amounts						
At 1 January 2016	**40,030**	**2,466**	**1,535**	**-**	**10,108**	**54,139**
At 31 December 2016	**49,995**	**1,832**	**1,617**	**848**	**12,738**	**67,030**
At 31 December 2017	**46,326**	**770**	**1,333**	**986**	**11,457**	**60,872**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

15. INTANGIBLE ASSETS (CONTINUED)

(a) Amortisation

Amortisation expense of EUR 1,730 thousand (2016: EUR 1,726 thousand) has been recognised as part of general and administrative expenses, EUR 51 thousand (2016: EUR 9 thousand) has been recognised as part of cost of sales.

(b) Impairment testing for cash generating units containing goodwill and Intangible assets with the indefinite useful life

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments which represent the lowest level within the Group at which goodwill is monitored for internal management purposes, which is not larger than the Group's operating segments as reported in Note 6.

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

'000 EUR	Goodwill 31.12.2017	Impairment 31.12.2017	Goodwill 31.12.2016	Impairment 31.12.2016
Russian CGU	46,326	-	49,995	-
Ukrainian CGU	-	-	-	-
	46,326	-	**49,995**	-

The intangible assets with indefinite useful life are allocated only to the Russian operating segment and are represented by beer brands and trademarks, which are actively sold in Russia.

The Group also concluded, that certain indications were present, that the property, plant and equipment may be impaired as of 31 December 2017 (Note 13), which made it necessary to perform an impairment test in respect to these assets as well. Accordingly, the Group performed a combined annual impairment test in relation to its property, plant and equipment, goodwill and intangible assets with indefinite useful life, which formed part of the Group's Russian and Ukrainian CGUs.

The Group impairment testing methodology is in accordance with IAS 36, in which value in use approach was taken into consideration. This includes applying a discounted free cash flow approach based on forecasted cash flow models expected to arise from the CGU. The Group has calculated only the value in use as this was higher than the carrying amount of the CGU.

During the year, the Group generated operating losses and underperformed its budgets. Based on these facts the Directors have assessed that there is no indication for reversal of impairment.

The Group completed its annual impairment test for goodwill, intangible assets with indefinite useful life and property, plant and equipment and concluded, based on the assumptions described below, that no impairment charge was necessary for Russian and Ukrainian CGUs as of 31 December 2017 and 2016.

15. INTANGIBLE ASSETS (CONTINUED)

(b) Impairment testing for cash generating units containing goodwill and Intangible assets with the indefinite useful life (continued)

The Group cannot predict whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values reported. The Group believes that all of its estimates are reasonable: they are consistent with the internal reporting and reflect management's best estimates. However, inherent uncertainties exist that management may not be able to control. During its valuation, the Group performed a sensitivity analysis for key assumptions including the weighted average cost of capital and the terminal growth rate for Russia taking into account the continued political instability and deteriorating macroeconomic conditions. While a change in the estimates used could have a material impact on the calculation of the recoverable amount and trigger an impairment charge, the Group, based on the sensitivity analysis performed is not aware of any reasonably possible change in a key assumption used that would cause Russian and Ukrainian CGUs carrying amount to materially exceed its recoverable amount. The impairment testing relies on a number of critical judgments, estimates and assumptions.

Key assumptions:

The key judgments, estimates and assumptions used in the discounted free cash flow calculations are as follows:

- The first year of the model is based on management's best estimate of the free cash flow outlook for the year;
- In the second to third year, free cash flows are based on the strategic plan as approved by the Shareholder Group. The 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. Sales decline in the period 2018 to 2020 is based on volume and price forecasts and is expected by the Group at the level from 4.82% till 0% for Russia and from 9.40% till 3.93% for Ukraine; EBITDA is expected to grow which should result in EBITDA margin improvement from approximately 9.9% in 2018 up to 11.7% in 2020 for Russia and stable EBITDA level of approximately 10.5% for the Ukraine.
- For the subsequent five years of the model of the Russian CGU, data from the strategic plan is extrapolated generally using simplified assumptions such as constant volumes, variable cost per hectolitre, fixed cost linked to the previous year and price growth linked to local consumer price indices ("CPI"), as obtained from external sources; the CPI level used in the model was 4% for Russia; the growth for Ukraine subsequent to 2020 was assumed at 0%.
- Cash flows after the eighth year period are extrapolated generally using expected annual long term CPI, based on external sources, in order to calculate the terminal value, considering sensitivities on this metric.
- Projections representing post-tax cash flows are made in the functional currency of each business unit and discounted at the unit's weighted average cost of capital which was approximately 12% (2016: 13.1%) for Russia and 21.5% (2016: 32.6%) for Ukraine.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

15. INTANGIBLE ASSETS (CONTINUED)

(b) Impairment testing for cash generating units containing goodwill and Intangible assets with the indefinite useful life (continued)

Below a summary of average indicators of the key assumptions used in the current and prior year DCF model (3 year basis):

	2017	2016
Russian CGU		
Sales growth	(1.02)%	5.4%
EBITDA growth	10.3%	16.9%
Terminal growth	4%	3%
WACC	12%	13.1%
Ukraine CGU		
Sales growth	(5.7)%	13.2%
EBITDA growth	(4.6)%	17.8%
Terminal growth	0%	0%
WACC	21.5%	32.6%

Sensitivity to changes in assumptions:

The impairment test is sensitive to changes in EBITDA growth rates and discount rates. The discount rates used are post-tax, and reflect specific risks relating to the Russian and Ukrainian CGUs.

- If the revised estimated post-tax discount rate applied to the discounted cash flows of the Russian and Ukrainian CGUs had been 1% higher than management's estimates, the recoverable amount of the Russian and Ukrainian CGUs would be reduced by EUR 54,497 thousand and EUR 109 thousand, respectively.
- If the revised estimated perpetual growth rate applied to the discounted cash flows of the Russian CGU had been 1% lower than management's estimates, the recoverable amount of the Russian CGU would be decreased by EUR 34,193 thousand. There is no effect to the recoverable amount of the Ukrainian CGU as the growth rate was set to 0%.

The above changes in the recoverable amount do not result in any impairment in respect to property, plant and equipment, goodwill or indefinite life intangible assets as at 31 December 2017.

Although the Group believes that its judgments, assumptions and estimates are appropriate, actual results may differ from these estimates under different assumptions or market or macro-economic conditions. However reasonable changes are not expected to lead to a different conclusion.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

16. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
'000 EUR	**2017**	**2016 Restated**	**2017**	**2016 Restated**	**2017**	**2016 Restated**
Property, plant and equipment	15,797	16,899	(8,382)	(9,615)	7,415	7,284
Intangible assets	687	604	(3,099)	(3,411)	(2,412)	(2,807)
Inventories	388	916	-	(105)	388	811
Employee benefits	1,221	1,926	(96)	(86)	1,125	1,840
Trade and other receivables	423	4,069	-	(269)	423	3,800
Trade and other payables	7,418	7,595	-	-	7,418	7,595
Tax losses carried forward					50,687	44,671
Tax assets/(liabilities)					**65,044**	**63,194**

Movement in deferred taxes during the year

'000 EUR	**1 January 2017**	**Recognised in profit or loss (Note 12)**	**Recognised in other comprehensive income-foreign exchange differences**	**31 December 2017**
Property, plant and equipment	7,284	896	(765)	7,415
Intangible assets	(2,807)	195	200	(2,412)
Inventories	810	(364)	(58)	388
Employee benefits	1,840	(603)	(112)	1,125
Trade and other receivables	3,800	(3,239)	(138)	423
Trade and other payables	7,595	345	(522)	7,418
Tax losses carried forward	44,671	10,350	(4 334)	50,687
	63,194	**7,579**	**(5,729)**	**65,044**

'000 EUR	**1 January 2016 Restated**	**Recognised in profit or loss (Note 12)**	**Recognised in other comprehensive income-foreign exchange differences**	**31 December 2016 Restated**
Property, plant and equipment	5,898	(270)	1,656	7,284
Intangible assets	(2,309)	53	(551)	(2,807)
Inventories	1,100	(401)	112	811
Employee benefits	2,574	(1,156)	422	1,840
Trade and other receivables	3,216	(223)	807	3,800
Trade and other payables	8,914	(2,434)	1,115	7,595
Tax losses carried forward	31,564	6,425	6,682	44,671
	50,957	**1,994**	**10,243**	**63,194**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

16. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Movement in deferred taxes during the year (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 from the planned financial assistance to be provided to PJSC SUN InBev Ukraine , that is expected to the received from the related parties during 2018. In addition, the increased taxable profit is planned to be generated through the improved profitability of product sales that is expected from synergies after merging with Efes, as well as through the revenue growth initiatives being currently put in place and amending the terms of related party transaction. Deferred tax assets are expected to be recovered after more than 12 months and within statutory expiration period. Changes that were enacted in the Russian tax legislation in 2015 stipulate that accumulated tax losses will no longer expire and can be utilized in the amount that does not exceed 50% of taxable profit for the respective year. In Ukraine there is no expiration or restriction to the use of taxable losses. The Group has made respective adjustments in its tax loss utilization forecast and expects that unused tax losses accumulated at 31 December 2017 will be fully utilized in course of 2024-2025 years in Russia and will be mostly utilized in 2018 in Ukraine mainly through the use of taxable income from financial assistance to be provided by the related parties.

Non-current income tax assets

Advance payments on profit tax were made by the Ukrainian subsidiary of the Group in 2013, where the subsidiary projected a taxable profit for the whole year. Currently the prepaid profit tax cannot be refunded from the budget due to limited availability of budget funds. The Group has properly legally supported plan to offset the amount of prepayment against liabilities for other taxes. However, the management does not expect to offset the tax receivable within the next 12 months after the reporting date.

17. INVENTORIES

'000 EUR	**2017**	**2016**
Raw materials	37,161	39,235
Work in progress	2,879	3,863
Finished goods and goods for resale	9,151	11,364
Other	4,212	3,967
	53,403	**58,429**
Write-down of inventories in the year	(66)	(549)

In 2017, raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales amounted to EUR 239,347 thousand (2016: EUR 239,298 thousand). The write-down of inventories to net realizable value and reversal of write-downs are included into cost of sales. There were no reversal of write downs during the year.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

18. TRADE AND OTHER RECEIVABLES

'000 EUR	**2017**	**2016**
Trade receivables	57,074	60,671
Non-income taxes receivable	158	1,035
Other receivables	4,289	1,594
	61,521	**63,300**

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in Note 25.

18.1 Prepayments

Prepayments mainly relate to deposits paid by the Group for returnable containers related to the beer imported to Russia and the Ukraine. The Group collects the deposits back when the containers are returned to the supplier.

19. CASH AND CASH EQUIVALENTS

'000 EUR	**2017**	**2016**
Bank and other cash accounts	60,050	87,458
Demand deposits	71,941	16,129
Cash and cash equivalents in the consolidated statement of financial position excluding overdrafts used for cash management purposes	**131,991**	**103,587**
Overdrafts used for cash management purposes (Note 22)	(7,655)	(7,274)
Cash and cash equivalents in the consolidated statement of cash flows	**124,336**	**96,313**

The demand deposits comprise of:

(a) EUR7,255 thousand deposits in UAH with effective interest rate of 11% p.a.
(b) EUR 2,396 thousand deposits in RUB with effective interest rate of 5.7% and
(c) EUR 62,290 thousand deposits with Cobrew S.A. In 2017 the Group signed a current account agreement with Cobrew S.A. (hereinafter «Cobrew»), the related party. This agreement has no fixed maturity date and provides notification period for payments from or deposits to this account of 2 to 5 days. Interest rate applied by Cobrew is based on 1 month market interest rate plus 0.20%.

All the call deposits have original maturity of less than 3 months.

As at 31 December 2017 the bank and other cash accounts includes restricted cash in amount of EUR 1,067 thousand held for payment of VAT in the Ukraine.

The Group's exposure to credit currency risk and interest rate related to cash and cash equivalents is disclosed in Note 25.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

20. CAPITAL AND RESERVES

(a) Share capital

Number of shares unless otherwise stated	**Ordinary shares (Class B)**		**Preference shares (Class A)**	
	2017	**2016**	**2017**	**2016**
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 was no change in the owners of the Company's issued share capital during 2017.
The number and value of the issued shares has not changed in comparison with prior year.

Ordinary shares

All shares rank equally with regard to the Company's residual assets.

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

The amounts available for distribution to the Company's shareholders in the form of dividends are the distributable reserves of the Company presented within retain earnings.

The Board of Directors does not recommend the payment of dividend on the basis of the 2017 results. The Board of Directors may at a later stage consider the payment of interim dividends out of retained earnings, in accordance with the relevant provisions of the Companies Laws and the Articles of Association of the Company.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

21. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss 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.

2017	**Loss (Numerator) '000 EUR**	**Number of shares (Denominator)**	**Per share-amount EUR**
Basic and diluted EPS			
Attributable to holders of class "A" participating shares	(19,723)	88,832,710	(0.22)
Attributable to holders of class "B" participating shares	(6,171)	27,796,220	(0.22)
Total attributable to participating shares	**(25,894)**	**116,628,930**	**(0.22)**

2016 (Restated)	**Loss (Numerator) '000 EUR**	**Number of shares (Denominator)**	**Per share-amount EUR**
Basic and diluted EPS			
Attributable to holders of class "A" participating shares	(13,085)	88,832,710	(0.15)
Attributable to holders of class "B" participating shares	(4,095)	27,796,220	(0.15)
Total attributable to participating shares	**(17,180)**	**116,628,930**	**(0.15)**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

22. 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 25.

'000 EUR	**Note**	**2017**	**2016**
Non-current			
Loan from related parties	29 (b)	-	66,540
Current			
Bank and other overdraft	19	7,655	7,274
Current loans from bank		20,662	16,008
Current loans from related parties	29 (b)	262,649	168,820
		290,966	**192,102**

Overdraft is denominated in EUR with no fixed maturity date. Interest rate stays in spread of 1.68% - 7%. In 2017 the Group signed a current account agreement with Cobrew, see Note 19 which also includes overdraft facilities.

During 2017 interest expense of EUR 25,973 thousand (2016: EUR 18,650 thousand) was recognised in profit or loss (Note 11). Interest payable presented within loans and borrowings as at 31 December 2017 is EUR 8,413 thousand (31 December 2016: EUR 6,640 thousand).

22.1 Terms and conditions of outstanding loans were as follows:

				31 December 2017		**31 December 2016**	
'000 EUR	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Non-current loan from related parties	USD	4,945%	2018	-	-	66,540	66,540
Bank and other overdraft	EUR	1,68% - 7%	on demand	7,655	7,655	7,274	7,274
Current loans from bank	UAH	12% -14,9%	2018	20,450	20,450	16,181	16,181
Current loans from related parties	RUB	Mosprime+ 2%	2018	196,031	196,031	161,414	161,414
Current loans from related parties	USD	4,945%	2018	58,417	58,417	586	586
Current loans from related parties	EUR	8,2%	2017	-	-	7	7
Current interest payable	N/A	N/A	2018	8,413	8,413	6,640	6,640
Total interest-bearing liabilities				**290,966**	**290,966**	**258,642**	**258,642**

The fair value of short term and long term loans/borrowings approximates their carrying amount, as the impact of discounting is not significant. The current loans from an entity under common control are not secured.

Certain current loans from bank nominated in UAH are guaranteed by the Group ultimate parent (Anheuser-Busch InBev N.V.). The value of the received guarantee amounted to EUR 40,000 thousand as of 31 December 2017 (31 December 2016: EUR 8,268 thousand).

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

22. LOANS AND BORROWINGS (CONTINUED)

22.2 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1/01/2017	Proceeds from borrowings	Repayment of borrowings	Interests paid	Interest expense	Foreign exchange gain	Foreign currency translation	31/12/2017
Bank loans	16,008	46,452	(38,736)	(1,527)	1,601	-	(3,136)	20,662
Loans from entities under common control (note 29)	235,360	59,179	(10,622)	(22,284)	24,372	(8,224)	(15,130)	262,649
	251,368	**105,631**	**(49,358)**	**(23,811)**	**25,973**	**(8,224)**	**(18,266)**	**283,311**

23. EMPLOYEE BENEFITS

One of the Group subsidiaries, PJSC SUN InBev Ukraine, makes contributions to a defined benefit plan that provides pension benefits for a limited number of 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.

24. TRADE AND OTHER PAYABLES

'000 EUR	**2017**	**2016**
Trade payables	203,191	204,851
Advances received	10,471	10,867
Non-income taxes payable	21,959	31,895
Payroll and social security payables	11,632	14,725
Other payables and accrued expenses	12,361	10,199
	259,614	**272,537**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 25.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments by category

'000 EUR	2017	2016
Loans and receivables		
Loan granted to a related party	-	778
Trade and other receivables excluding non-income taxes receivable	61,363	62,265
Cash and cash equivalents	131,991	103,587
	193,354	**166,630**
Available for sale		
Available for sale financial asset investments	103	111
	193,457	**166,741**
Financial liabilities measured at amortized cost		
Trade and other payables	215,552	215,050
Current loans and borrowings	290,966	192,102
Non-current loans and borrowings	-	66,540
Finance lease liabilities	2	238
	506,520	**473,930**

(a) Overview

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

- Credit risk;
- Liquidity risk;
- Market risk;
- Interest Rate risk;
- Currency risk;
- Capital risk management;
- Operational risk (as described in Note 1).

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 Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group 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 Board of Directors on its activities.

The Group'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 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.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

25. 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, as well as from other receivables.

(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. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

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 credit limits were not exceeded during the reporting period, and management does not expect any losses from non performance by these counterparties.

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) Cash and cash equivalents

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings of Fitch about counterparty default rates:

	31 December 2017		31 December 2016	
'000 EUR	**Bank balances receivable on demand**	**Term deposits**	**Bank balances receivable on demand**	**Term deposits**
A- to A+ rated	68,351	-	102,095	-
Lower than A- rated	1,350	-	1,464	-
Unrated	62,290	-	28	-
	131,991	**-**	**103,587**	**-**

The Group keeps current bank accounts under the name of Cobrew, a subsidiary of the Group's ultimate parent Anheuser Busch InBev (hereinafter «ABI»), see Note 19. ABI group attempt to minimize its credit exposure to counterparties by entering into agreements with major international financial institutions with "A" or higher credit ratings as issued by Fitch. There is no establish credit ratings for Cobrew account, however the credit risk for this account is within ABI group thus the Group's management does not consider credit risk is significant.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

For the following financial institutions (relating to rated financial assets in the table above) Fitch Agency doesn't establish credit ratings, therefore the rating of the ultimate parent has been introduced:

Financial institution	Owner	% Ownership
Deutsche Bank Plc (Russia)	Deutsche Bank AG	100%
Deutsche Bank OJSC (Ukraine)	Deutsche Bank AG	100%
Bank Mendes Gans NV (Netherlands)	ING Bank NV	100%
ING Bank OJSC Ukraine (Ukraine)	ING Bank NV	100%

(iii) 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:

	Carrying amount	
'000 EUR	**2017**	**2016**
Available for sale financial asset investments	103	111
Loan granted to related party	-	778
Trade and other receivables excluding non-income taxes receivable	61,363	62,265
Cash and cash equivalents	131,991	103,587
	193,457	**166,741**

(iv) Impairment losses

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

'000 EUR	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
Not past due	60,599	(682)	60,203	(529)
Past due 0-45 days	1,643	(98)	2,406	(1)
Past due 45 - 90 days	64	(19)	267	(88)
Past due more than 90 days	5,150	(5,136)	6,211	(6,204)
	67,456	**(5,935)**	**69,087**	**(6,822)**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

'000 EUR	**2017**	**2016**
Balance at beginning of the year	(6,822)	(6,713)
(Increase)/Decrease during the year	887	(109)
Balance at end of the year	**(5,935)**	**(6,822)**

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 unless the Group is confident 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. The Group has no collateral with respect to its financial assets.

(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, either through cash generated from its operating activities or financial support from its parent company on as needed basis (note 29). As disclosed in note 31, the Group has disposed its operating subsidiaries post year end generating sufficient funds to be able to settle its liabilities.

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.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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.

2017 **'000 EUR**	**Carrying amount**	**Contractual cash flows**	**0-12 mths**	**1-2 yrs**
Non-derivative financial liabilities				
Trade payables and other payables	215,552	215,552	215,552	-
Overdrafts used for cash management purposes	7,655	7,655	7,655	-
Current loans and borrowings	283,311	295,077	295,077	-
	506,508	**518,284**	**518,284**	**-**

2016 **'000 EUR**	**Carrying amount**	**Contractual cash flows**	**0-12 mths (1)**	**1-2 yrs**
Non-derivative financial liabilities				
Trade payables and other payables	215,050	215,050	215,050	-
Bank overdraft	7,274	7,274	7,274	-
Current loans and borrowings	184,828	185,962	185,962	-
Non-current loans and borrowings	66,540	73,221	-	73,221
	473,692	**481,507**	**408,286**	**73,221**

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that 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 Hryvnia (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, most of the Group's 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.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Exposure to currency risk

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

'000 EUR	USD-denominated 2017	EUR-denominated 2017	USD-denominated 2016	EUR-denominated 2016
Non-current loans from related parties	-	-	(66,540)	-
Trade and other payables	(30,998)	(48,541)	(35,076)	(64,153)
Current loans from related parties	(58,417)	-	-	-
Cash and cash equivalent	3,208		-	-
Trade and other receivables	650	709	-	-
Net exposure	**(85,557)**	**(47,832)**	**(101,616)**	**(64,153)**

Sensitivity analysis

A strengthening/weakening of the functional currency, 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 2016.

'000 EUR	Strengthening		Weakening	
	Equity	Profit or loss	Equity	Profit or loss
31 December 2017				
USD (+/-10% movement in exchange rate)	8,556	8,556	(8,556)	(8,556)
EUR (+/-10% movement in exchange rate)	4,783	4,783	(4,783)	(4,783)
31 December 2016				
USD (+/-10% movement in exchange rate)	10,162	10,162	(10,162)	(10,162)
EUR (+/-10% movement in exchange rate)	6,415	6,415	(6,415)	(6,415)

The following significant exchange rates applied during the year:

in EUR	Average rate		Reporting date exchange rate	
	2017	2016	2017	2016
RUB for EUR 1	65,5652	74,1070	68,8668	63,8111
UAH for EUR 1	29,8838	28,1436	33,4954	28,4226

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

(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.

Profile

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

	Carrying amount	
'000 EUR	**2017**	**2016**
Fixed rate instruments	**-**	**-**
Financial assets	9,651	16,129
Financial liabilities	(58,419)	(67,364)
	(48,768)	**(51,235)**
Variable rate instruments		
Financial assets	62,290	778
Financial liabilities	(224,136)	(191,516)
	(161,846)	**(190,738)**

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.

	Profit or loss		Equity	
'000 EUR	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
2017				
Variable rate instruments	(1,618)	1,618	(1,618)	1,618
Cash flow sensitivity (net)	**(1,618)**	**1,618**	**(1,618)**	**1,618**
2016				
Variable rate instruments	(1,907)	1,907	(1,907)	1,907
Cash flow sensitivity (net)	**(1,907)**	**1,907**	**(1,907)**	**1,907**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(e) Accounting classifications and fair values

The basis for determining fair values is disclosed in Note 4.
As at the year end, the Group has no material financial instruments measured at fair value.

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.

(f) Capital management

The Group has overall responsibility for the establishment and oversight of the capital management framework. The Group is continuously optimizing its capital structure targeting to maximize shareholder value while keeping the desired financial flexibility to execute its strategic prospect plans. The capital of the Group comprises of share capital, share premium, accumulated losses and translation reserve. Net debt comprises of the Group's total liabilities less cash and cash equivalents.

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

'000 EUR	**2017**	**2016**
Total liabilities	(550,580)	(531,575)
Less: cash and cash equivalents	131,991	103,587
Net debt	**(418,589)**	**(427,988)**
Total equity	(6,208)	(37,142)
Debt to capital ratio at 31 December	**67.43**	**11.52**

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. The increase of debt to capital ratio is due to the loss for the year ended 31 December 2017.

Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2017:

'000 EUR	**Gross amounts before offsetting in the consolidated statement of financial position**	**Gross amounts set off in the consolidated statement of financial position**	**Net amount after offsetting in the consolidated statement of financial position**	**Net amount of exposure**
Assets				
Trade receivables	60,345	(3,272)	57,073	57,073
Total assets subject to offsetting, master netting and similar arrangement	**60,345**	**(3,272)**	**57,073**	**57,073**
Liabilities				
Trade payables	206,463	(3,272)	203,191	203,191
Total liabilities subject to offsetting, master netting and similar arrangement	**206,463**	**(3,272)**	**203,191**	**203,191**

The Group offsets trade receivables and trade payables with customers when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

26. OPERATING LEASE ARRANGEMENTS

The Group leases a number of warehouses and plots of land under operating leases. Lease payments are usually increased annually to reflect market rentals. The Group does not have any non-cancellable operating leases.

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 consolidated statement of comprehensive income is EUR 4 513 thousand (2016: EUR 4 059 thousand).

27. COMMITMENTS FOR EXPENDITURE

At 31 December 2017 the Group had outstanding contractual commitments totalling approximately EUR 1,180 thousand (31 December 2016: EUR 354 thousand) to purchase property, plant and equipment. In addition, the Group had commitments to purchase raw and packaging materials worth EUR 31,412 thousand at 31 December 2017 (31 December 2016: EUR 12,274 thousand). All the Group’s commitments are current and will be settled within 12 months after reporting date.

28. CONTINGENCIES

(a) Legal proceedings

On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements. Risk in relation to claims against the Group without provision was assessed as remote.

(b) Taxation contingencies

Taxation contingencies in the Russian Federation

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. 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.

Russian and Ukrainian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by the tax authorities. Russian and Ukrainian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

28. CONTINGENCIES (CONTINUED)

(b) Taxation contingencies (continued)

The Group's transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This 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 arm's length. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

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. Management plans to defend vigorously the Group's transfer pricing positions.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. In addition, certain amendments to tax legislation entered into force from 2015, which are aimed at combating tax evasion through the use of low-tax jurisdictions and aggressive tax planning structures. In particular, those amendments include definitions of the concepts of beneficial ownership and tax residence of legal entities at their actual place of business, and an approach to the taxation of controlled foreign companies.

These changes, as well as recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in past may be challenged as not having been in compliance with Russian tax laws applicable at the relevant time. In particular, the Supreme Court issued guidance to lower courts on reviewing tax cases providing a systematic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities scrutiny. As a result, significant additional taxes, penalties and interest may be assessed.

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.

As at 31 December 2017 and 2016 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Management estimates that the Group's possible exposure in relation to the aforementioned tax risks will not exceed 5% of the Group's total assets at 31 December 2017.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

28. CONTINGENCIES (CONTINUED)

(c) 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.

(d) Business environment

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

29. RELATED PARTY TRANSACTIONS

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 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 and other member of the top management of the Group's principal subsidiaries included into the Commercial Committee.

Key management received the following remuneration during the year, which is included in personnel costs (see Note 10):

'000 EUR	**2017**	**2016**
Salaries and bonuses	1,456	1,586
Contributions to State pension fund	184	213
Other service benefits	132	189
	1,772	**1,988**

The total remuneration of the Directors (included into the key management remuneration above) for 2017 was EUR 460 thousand (2016: EUR 447 thousand).

(ii) Guarantees from the ultimate parent company

From 2015 certain current loans from bank nominated in UAH were guaranteed by the Group ultimate parent (Anheuser-Busch InBev N.V.). The value of the received guarantee amounted to EUR 40,000 thousand as of 31 December 2017 (31 December 2016: EUR 8,268 thousand), refer to note 22.

(iii) Financial support from the ultimate parent company

The ultimate parent company indicates its intention and wiliness to provide financial support to the Group on as needed basis.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with other related parties

The Group has entered into various service agreements with other related parties, 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 2017 service expenditures and royalties amounted to EUR 34,266 thousand (2016: EUR 22,936 thousand) under these agreements.

'000 EUR	**2017**	**2016**
Interest expense	24,373	15,811
Interest income	996	-
Purchases	44,088	31,448
Total borrowings repaid by the Group	10,622	96,073
Total funds received on borrowings	59,179	68,082

The outstanding balances with other related parties were as follows:

'000 EUR	**31 December 2017**	**31 December 2016**
Trade and other receivables	5,078	5,150
Trade and other payables	(42,251)	(31,132)
Demand Deposits	62,290	-
Loan granted	-	778
Current borrowings	(254,638)	(162,352)
Interest payable on loans	(8,011)	(6,468)
Non-current borrowings	-	(66,540)
	(237,532)	**(260,564)**

30. SIGNIFICANT SUBSIDIARIES

Subsidiary	**Country of incorporation/ business**	**2017 Effective Ownership/ voting**	**2016 Effective Ownership/ voting**
JSC Sun InBev Russia	Russian Federation	93.55%/93.55%	93.55%/93.55%
PJSC Sun InBev Ukraine	Ukraine	98.34%/98.34%	98.34%/98.34%

31. EVENTS AFTER THE BALANCE SHEET DATE

On 8 March 2018 the Board of Directors of the Company approved the sale of its direct and indirect ownership interests in operating subsidiaries in Russia (JSC SUN InBev Russia) and Ukraine (PJSC SUN InBev Ukraine) to AB INBEV WESTERN EUROPEAN HOLDING B.V a fellow subsidiary under common control. The divestment decision was made following the Parent company's decision to merge the ABI Group's operations in Russia and Ukraine with Anadolu Efes (for more details see Note 2(b)– Going concern basis)

On 22 March 2018 AB INBEV WESTERN EUROPEAN HOLDING B.V and EFES BREWERIES INTERNATIONAL N.V. entered into a Framework Agreement (the "Framework Agreement"), pursuant to which the parties intend to form a joint venture of their respective businesses principally involved in the manufacturing, distribution, marketing and sale of Beer in Russia and Ukraine.

On 23 March 2018, the Group entities entered into a sale agreement with AB INBEV WESTERN EUROPEAN HOLDING B.V, for the sale of the business in Russia for the consideration of EUR 824,407 thousand and in Ukraine for the consideration of EUR 39,611 thousand.

The consideration was paid to the Group in full. The management was not able to estimate the financial effect of the above transaction by the date the consolidated financial statement were authorised for issue.

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

SUN Interbrew Plc

Annual Report
and Separate Financial Statements
for the year ended 31 December 2017

SUN INTERBREW PLC

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Denis Khrenov – Chairman of the Board, Director and Chief Executive Officer ("CEO")
Alexander Balakhnov - Director and Chief Legal Officer and member of Nominations and Remuneration Committee ("CLO")
Olesia Sheppard - Director and member of the Audit Committee
Dmytro Shpakov - Director
Inter Jura CY (Directors) Limited – Director and member of Nomination and Remuneration Committee
Inter Jura CY (Management) Limited – Director
Costas Melanides - Independent, non-executive Director and member of the Audit Committee (Appointed on 9 November 2017)
Marios Chrysanthou – Independent, non-executive Director and Chairman of the Audit Committee (Appointed on 9 November 2017)
Yevhenii Vizhul – Director and Chief Financial Officer ("CFO") (Appointed on 9 November 2017)
Nand Lal Khemka– Director (Resigned on 14 September 2017)
Shiv Vikram Khemka – Director (Resigned on 14 September 2017)
Uday Harsh Khemka– Director (Resigned on 14 September 2017)
Timur Miretskiy – Director (Resigned on 24 February 2017)
Anatolii Drozda – Director (Appointed on 24 February 2017 and resigned on 14 September 2017)

Company Secretary

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

Registered office

1 Lampousa Street
CY-1095 Nicosia
Cyprus

Registration number: HE277915

SUN INTERBREW PLC

DECLARATION OF DIRECTORS AND OTHER RESPONSIBLE OFFICERS OF THE COMPANY FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

In accordance with Section 9 sub-sections (3 (c)) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law 2007 as amended ("the Law") we, the members of the Board of Directors and the other responsible persons for the financial statements of SUN Interbrew Plc (the "Company") for the year ended 31 December 2017, we confirm that, to the best of our knowledge:

(a) the annual financial statements of the Company which are presented on pages 18 to 46:
  (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

(b) the Management Report provides a fair view of the developments and the performance of the business as well as the financial position of the Company together with a description of the main risks and uncertainties that is facing.

Members of the Board of Directors

Name and surname	Signature
Alexander Balakhnov - Director and Chief Legal Officer and member of Nominations and Remuneration Committee ("CLO")	
Inter Jura CY (Directors) Limited - Director and member of Nomination and Remuneration Committee	
Inter Jura CY (Management) Limited - Director	
Denis Khrenov - Chairman of the Board, Director and Chief Executive Officer ("CEO")	
Dmytro Shpakov - Director	
Olesia Sheppard - Director and member of the Audit Committee	
Costas Melanides - Independent, non-executive Director and member of the Audit Committee	
Marios Chrysanthou - Independent, non-executive Director and Chairman of the Audit Committee	
Yevhenii Vizhul - Director and Chief Financial Officer ("CFO")	

MANAGEMENT REPORT

1. The Board of Directors presents its report together with the audited parent company financial statements of the Company for the year ended 31 December 2017.

Principal activities

2. The principal activities of the Company, which are unchanged from the last year, are to act as a holding and investments company for specific businesses belonging to the controlling shareholder of the Company and the provision of loans within the Group.

Review of developments, position and performance of the Company's business

3. The profit of the Company for the year ended 31 December 2017 was € 4,521,804 (2016: loss € 175,705,002). As at 31 December 2017 the total assets of the Company were € 441,835,698 (2016: € 445,803,374) and the net assets were € 375,832,409 (2016: € 371,310,605). The financial position, development and performance of the Company as presented in these financial statements are as expected given the market conditions in Ukraine and Russia. The Company’s profitability in the current year is mainly attributed to the devaluation of USD against Euro, resulting to a foreign exchange gain of € 8,226,812 on retranslation of the USD loan due to related parties to the functional currency. The loss for the year ended 31 December 2016 relates to impairment of investments in subsidiaries in amount of € 174,738,412. There was no impairment of investments in subsidiaries for the year ended 31 December 2017.

Principal risks and uncertainties

4. The principal risks and uncertainties faced by the Company are disclosed in Notes 2, 18 and 19 of the financial statements.

Future developments of the Company

5. Subsequent to the reporting date the Company disposed its ownership interests in its significant subsidiaries in Russia and Ukraine to a related party. For more information refer to note 22.

Results and dividends

6. The Company's results for the year are set out on page 19. Despite company’s profitable performance within 2017 the Board of Directors does not recommend the payment of dividend on the basis of the 2017 results. The Board of Directors may at a later stage consider the payment of interim dividends out of retained earnings, in accordance with the relevant provisions of the Cyprus Companies Law and the Articles of Association of the Company.

Share capital

7. The authorized share capital, which amounts to GBP1,552,786, is divided into 125,278,614 class A shares of GBP0.01 each and 30,000,000 class B shares of GBP0.01 each.

8. 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

Share capital (continued)

9. The shares/GDRs 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.

10. The Class A shares 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.
- On winding up of the Company, the surplus assets available for distribution shall be distributed proportionately among 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.

11. Class B shares have no restrictions on voting rights.

12. There were no change in shareholders’ structure in 2017.

As of 31 December 2017 the Company, which is beneficially owned by Anheuser-Busch InBev, had the following shareholders' structure:

#	Name	A	B	Total	%
1	Anheuser-Busch InBev N.V.	1	-	1	0.0000
2	InBev Belgium N.V.	1	-	1	0.0000
3	Brandbrew S.A.	1	-	1	0.0000
4	Interbrew International B.V.	-	1	1	0.0000
5	Worldoor Limited	73,014,377	12,285,318	85,299,695	73.1377
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	0.6391
8	Bank of New York (Nominees) Limited - New York	15,042,401	15,480,356	30,522,757	26.1708
		88,832,710	27,796,220	116,628,930	100.0000

The above shareholding remained unchanged as of five days before the date of approval of these financial statements.

The shareholders’ structure as of 31 December 2016 was following:

#	Name	A	B	Total	%
1	Anheuser-Busch InBev N.V.	1	-	1	0.0000
2	InBev Belgium N.V.	1	-	1	0.0000
3	Brandbrew S.A.	1	-	1	0.0000
4	Interbrew International B.V.	-	1	1	0.0000
5	Worldoor Limited	73,014,377	12,285,318	85,299,695	73.1377
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	0.6391
8	Bank of New York (Nominees) Limited - New York	15,042,401	15,480,356	30,522,757	26.1708
		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.

Board of Directors

14. The members of the Board of Directors for the year ended 31 December 2017 and at the date of this report are presented on page 1. There were no other significant changes in the composition, distribution of responsibilities or compensation of the Board of Directors.

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

Directors' interests in the Company's share capital

16. Directors have no direct or indirect shareholding in the Company's share capital (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.

Events subsequent to the reporting date

17. Other than as disclosed in Note 22 to financial statements, there were no material events subsequent to the reporting date, which have a bearing on the understanding of the financial statements.

Branches

18. The Company did not operate through any branches during the year.

Independent Auditors

19. The independent auditors, Deloitte Limited, have expressed their willingness to continue in office and a resolution authorizing the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

Statement on Corporate governance pursuant to Article 151 of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Transparency Law")

Paragraphs 2a(i) – (iii) of Article 151 of the Companies Law – Corporate Governance

20. The Company complies with 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. The Company's corporate governance charter has been adopted but has not yet been implemented.

21. The Company's Corporate Governance Charter is generally based on the "Ten Principles of Corporate Governance" of the Luxembourg Stock Exchange. 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. For the purposes of effective compliance with the provisions of the Cypriot Auditors Act of 2017, which stipulate that listed companies should have an Audit Committee for the purposes of, between others, the monitoring of the financial reporting process, and the statutory audit of the annual separate and consolidated financial statements, the Company strengthened its board, during 2017 with two independent, non-executive Directors. Therefore, the Audit Committee now comprises of three directors, a majority of its members are independent, the Chairman has competence in accounting and auditing, and the committee members as a whole have competence relevant to the sector in which the Group is operating.

Paragraphs 2a (iv) of Article 151 of the Companies Law – 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 Transparency Law

22. The periodic information referred to in Part II of the Transparency Law, comprises of the annual financial report and the half-yearly financial report. 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.

23. 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 the required periodic information.

24. 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, Deloitte Limited, in accordance with the provisions of the Companies Law and the applicable International Accounting Standards.

Paragraph 2a (v) of Article 151 of the Companies Law

25. See paragraphs 7 to 13 above under "Share Capital" regarding special rights attributed to classes of shares.

26. 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 Cyprus Companies Law, remove any director before the expiration of his period of office.

Statement on Corporate governance pursuant to Article 151 of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Transparency Law")

Paragraph 2a (v) of Article 151 of the Companies Law (continued)

27. In accordance with the provisions of the Cyprus Companies Law, the Company may, by special resolution, amend its Articles of Association. A special resolution may be approved by a majority of 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.

Paragraph 2a (vi) of Article 151 of the Companies Law

Composition of the Board

28. For the Composition of the Board of Directors, refer to page 1 and note 14 above. The Board of Directors consists of both executive and non-executive Directors.

Competences of the Board

29. 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.

30. 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 fall in the competencies of the Board.

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

32. 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.

Functioning of the Board

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

34. 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 its 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

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

Chairmanship

36. 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.

37. 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.

Statement on Corporate governance pursuant to Article 151 of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Transparency Law")

<u>Paragraph 2a (vi) of Article 151 of the Companies Law (continued)</u>

Existence and nature of the internal control and risk management system

38. 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

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

Senior Management

40. The Board of Directors has delegated the daily management of the Company to the Chief Executive Officer ("CEO"), who is assisted by a Chief Financial Officer ("CFO") and a Chief Legal Officer ("CLO").

Remuneration policy for Board Members and Senior Managers

41. 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 Note 20 to the financial statements.

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

43. 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 the key management is disclosed in Note 20 to the financial statements.

Contracts with Directors and related parties

44. Other than the transactions and the balances with related parties referred to in Note 20 of the financial statements, there were no other significant contracts with the Company at 31 December 2017 in which the Directors or their related persons had a material interest. Related parties 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.

Statement on Corporate governance pursuant to Article 151 of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Transparency Law")

Paragraph 2a (vi) of Article 151 of the Companies Law (continued)

Delegation of Director's powers to committees

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

46. 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").

47. 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.

48. The composition, operation and internal regulation of the Audit Committee and the Nomination and Remuneration Committee of the Board of Directors is analysed below.

General rules regarding both committees

49. 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.

50. 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.

51. 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.

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

Statement on Corporate governance pursuant to Article 151 of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Transparency Law")

Paragraph 2a (vi) of Article 151 of the Companies Law: (continued)

Regulations for the Nomination and Remuneration Committee

(i) Role

53. 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 recommending 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 required for the position. 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

54. The Nomination and Remuneration Committee is composed exclusively of two directors of which one is independent. One of the non-executive director chairs the Nomination and Remuneration Committee.

(iii) Working rules

55. 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.

Statement on Corporate governance pursuant to Article 151 of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Transparency Law")

Paragraph 2a (vi) of Article 151 of the Companies Law: (continued)

Regulations for the Audit Committee

(i) Role

56. The Audit Committee exercises the duties and responsibilities provided for in section 78(5) of the Cypriot Auditors Act of 2017. These include the following:

- inform the Board of Directors of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;
- monitor the financial reporting process and submit recommendations or proposals to ensure its integrity;
- monitor the effectiveness of the undertaking's internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting of the audited entity, without breaching its independence;
- monitor the statutory audit of the annual statutory and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the competent authority.
- review and monitor the independence of the statutory auditors or the audit firms and in particular the appropriateness of the provision of non-audit services to the Company; and
- be responsible for the selection of statutory auditors and recommends the statutory auditors to be appointed.

(ii) Composition

57. The Audit Committee is composed exclusively of three directors which are non-executive directors. Two of the non-executive directors are independent and one chairs the Audit Committee. The members of the Audit Committee as a whole have competence relevant to the operations of its operating subsidiaries, in particular in manufacturing, marketing and distribution of beers. Additionally, the chairman has competence in accounting and auditing.

Statement on Corporate governance pursuant to Article 151 of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Transparency Law")

Paragraph 2a (vi) of Article 151 of the Companies Law: (continued)

(iii) Working rules

58. Towards the exercise of its duties and responsibilities, the Audit Committee, between others, is briefed by the external auditors of the Company in relation to the audit program, monitors the audit process, and in special meetings prior to the presentation of the annual and half-yearly accounts of the Group and the Company to the full Board of Directors, considers the content of the drafts, taking into account the views of the external auditors in relation to the annual, audited accounts. The Audit Committee informs the Board accordingly on the results of the statutory audit. The chairman of the Audit Committee ensures that minutes of meetings are prepared.

59. The Company does not have in place a special policy in relation to diversity of the Board of Directors. The Company considers that the current composition of the Board of Directors includes diversity in relation to age, gender, educational and professional background of its members.

By Order of the Board

Denis Khrenov
Chief Executive Officer

27 April 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of SUN Interbrew Plc
Report on the Audit of the Financial Statements

We have audited the financial statements of parent company SUN Interbrew Plc (the "Company"), which are presented on pages 18 to 46 and comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the incremental requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 22 to the financial statements, which sets out the Board of directors decision on 8 March 2018 to dispose of the Company's direct and indirect ownership interests in its operating subsidiaries in Russia and Ukraine. Our opinion is not modified in respect of the above matter.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Why the matter was determined to be a key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>
Going concern and Held for Sale and Discontinued Operations assessment
The Company has a recent history of substantial operating losses and its current liabilities exceeded its current assets by EUR 51,739 thousand at 31 December 2017, which raises concerns about the ability of the Company to continue operating for at least 12 months after the date of the financial statements.
Moreover, as disclosed in Note 22, subsequent to the reporting date the Company sold its operating subsidiaries in Russia and Ukraine to a related party.
As a result of the above, we identified the applicability of the going concern assumption for preparation of the financial statements as a key audit matter because the basis of preparation has pervasive effect on the financial statements and may affect classification, presentation and measurement of assets and liabilities as at the reporting date.
In addition, as a result of the disposal above the Company is required to assess if the criteria for the classification and presentation as non-current assets held for sale under IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’ are met as of the reporting date. We identify this to be a key audit matter because in making this assessment, it requires significant degree of judgement on behalf of the management.
Refer to Note 2 in the accompanying financial statements for the disclosures made by the Company regarding the going concern basis and the assessment regarding the held for sale criteria under IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’.
</td><td>
Audit work performed included:

reviewing the supporting documents for obtaining an understanding of the events that occurred subsequent to the reporting date;
evaluating whether the criteria for classification of the disposed subsidiaries as non-current assets held for sale in accordance with IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’ are met as of the reporting date;
evaluating the judgements made by the management in reaching their conclusion under IFRS 5; including review of the sales and framework agreements, announcements and board resolutions and discussion with the management involved in the sales transaction;
assessing the requirements of IAS 1 ‘Presentation of financial statement’ and IAS 10 ‘Events after the Reporting Period’, in respect of the going concern assumption and whether it is applicable for the preparation of these financial statements;
assessing the management’s intention not to liquidate the Company and continue operations through new investments;
assessing the willingness, commitment and ability of the Company’s ultimate parent to provide financial support to the Company in the foreseeable future, on an as-needed basis;
evaluating the adequacy of the disclosures provided in the financial statements in respect of the basis used for preparation of the Company financial statements and judgements made.

</td></tr>
<tr><td>
Impairment assessment of investments in subsidiaries
At 31 December 2017 the Company held investments in subsidiaries of EUR 427,571 thousand.
Impairment charges have been recognised in prior periods, and with continued challenging economic conditions in the Russian Federation and Ukraine, where the Company’s major subsidiaries operate, there is a risk that the investments may be impaired.
The annual impairment testing was significant to our audit because of the fact that the testing relies
</td><td>
Audit work performed on management’s impairment analysis included:

determining whether the input data used in the impairment model is in line with the approved budgets and forecasts;
assessing the reasonableness of the assumptions which are used in the management’s forecasts with reference to recent performance, market conditions and historical trend analysis;
testing integrity and accuracy of the underlying model to assess whether the processes are applied to the correct input data;
assessing reasonableness of the discount rates applied in the impairment model; and

</td></tr>
</table>

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
on a number of critical judgements, estimates and assumptions. The Company uses a strategic plan based on external sources in respect of macro-economic assumptions, industry, inflation, foreign exchange rates and past experience and assumptions in terms of market share, revenue, variable and fixed cost, capital expenditure and working capital assumptions. The details on assumptions used to estimate the recoverable amount of the Company's investments in subsidiaries are disclosed in Note 2 to the accompanying financial statements.	• assessing the appropriateness of the sensitivities applied by management to the impairment testing model and whether the scenarios reflect reasonably possible changes in key assumptions. We included valuation specialists in our team to assist us in these activities. We also assessed the historical accuracy of management's estimates, and effect of any deviations identified between past cash flow projections and actual cash flows, to the current management estimates. We also assessed the adequacy of disclosures in the financial statements in relation to investments in subsidiaries and the annual impairment test.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Financial Statements

The Board of Directors is responsible for the preparation of 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.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company on 17 February 2017 by the Board of Directors. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 2 years.

Deloitte.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 27 April 2018 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 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.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2017. The opinion in that report is qualified.

The engagement partner on the audit resulting in this independent auditor's report is Athos Chrysanthou.

Athos Chrysanthou
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors
Nicosia, 27 April 2018

SUN INTERBREW PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

Expressed in EUR	Note	2017	2016
ASSETS			
Non-current assets			
Investments in subsidiaries	11	427,570,943	427,570,943
Total non-current assets		**427,570,943**	**427,570,943**
Current assets			
Other receivables	13	20,000	29,815
Current tax assets		142,425	144,634
Cash and cash equivalents	14	14,102,330	18,057,982
Total current assets		**14,264,755**	**18,232,431**
Total assets		**441,835,698**	**445,803,374**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	1,808,651	1,808,651
Share premium	15	357,932,250	357,932,250
Retained earnings		16,091,508	11,569,704
Total equity		**375,832,409**	**371,310,605**
Non-current liabilities			
Long-term loans and borrowings	17	-	67,145,906
Total non-current liabilities		-	**67,145,906**
Current liabilities			
Loans and borrowings	17	65,900,197	7,255,002
Other payables	16	103,092	91,861
Total current liabilities		**66,003,289**	**7,346,863**
Total liabilities		**66,003,289**	**74,492,769**
Total equity and liabilities		**441,835,698**	**445,803,374**

On 27 April 2018 the Board of Directors of SUN Interbrew Plc authorized these financial statements for issue.

Vizhul Yevhenii
Director and Chief Financial Officer

Denis Khrenov,
Chairman of the Board and Chief Executive officer

The notes on pages 22 to 46 are an integral part of these financial statements.

SUN INTERBREW PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in EUR	**Note**	**2017**	**2016**
Impairment losses	6	-	(174,738,412)
Administrative expenses	7	(150,870)	(145,035)
Loss from operating activities		**(150,870)**	**(174,883,447)**
Finance income	9	9,442,874	3,216,607
Finance cost	9	(4,767,990)	(4,035,162)
Profit/(loss) before tax		**4,524,014**	**(175,702,002)**
Income tax expense	10	(2,210)	(3,000)
Profit/(loss) for the year		**4,521,804**	**(175,705,002)**
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**4,521,804**	**(175,705,002)**
Earning/(losses) per share			
Basic and diluted earning/(losses) per share (EUR)	12	0.039	(1.507)
Weighted average number of shares		116,628,930	116,628,930

The notes on pages 22 to 46 are an integral part of these financial statements.

SUN INTERBREW PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in EUR	Share capital	Share premium [1]	Retained earnings	Total
Balance at 1 January 2016	**1,808,651**	**357,932,250**	**187,274,706**	**547,015,607**
Comprehensive income				
Loss for the year and total comprehensive loss	-	-	(175,705,002)	(175,705,002)
Balance at 31 December 2016	**1,808,651**	**357,932,250**	**11,569,704**	**371,310,605**
Comprehensive income				
Profit for the year and total comprehensive income	-	-	4,521,804	4,521,804
Balance at 31 December 2017	**1,808,651**	**357,932,250**	**16,091,508**	**375,832,409**

[1] Share premium is not available for distribution in the form of dividend.

The notes on pages 22 to 46 are an integral part of these financial statements.

SUN INTERBREW PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in EUR	Note	2017	2016 Adjusted[1]
Cash flows from operating activities			
Profit/(loss) and total comprehensive income income/(loss) for the year		4,521,804	(175,705,002)
Adjustments for:			
Impairment of investment in subsidiaries	6, 11	-	174,738,412
Interest income	9	(1,216,062)	(907,754)
Interest expense	9	3,262,343	1,878,592
Foreign exchange gain – net (1)	9	(6,730,339)	(161,157)
Income tax expense	10	2,210	3,000
Cash used in operating activities before changes in working capital		**(160,044)**	**(153,909)**
Change in other receivables		9,815	20,000
Change in other payables		11,231	29,176
Net cash used in operating activities before income taxes paid		**(138,998)**	**(104,733)**
Income tax paid		-	(3,320)
Net cash used in operating activities		**(138,998)**	**(108,053)**
Cash flows from investing activities			
Interest received		1,216,062	907,754
Net cash from investing activities		**1,216,062**	**907,754**
Cash flows from financing activities			
Interest paid	20(b)	(3,677,741)	(1,944,701)
Proceeds from loans from related parties	20(b)	-	3,452,535
Net cash used in financing activities		**(3,677,741)**	**1,507,834**
Net (decrease)/increase in cash and cash equivalents and bank overdrafts		**(2,600,677)**	**2,307,535**
Cash and cash equivalents and bank overdrafts at beginning of year		10,802,980	9,057,692
Effect of exchange rate fluctuations on cash and cash equivalents and bank overdrafts (1)		(1,496,474)	(562,247)
Cash and cash equivalents and overdrafts at end of year	14	**6,705,829**	**10,802,980**

(1) The Company adjusted comparative information for the year ended 31 December 2016 in relation to net foreign exchange gain, see Note 5.

The notes on pages 22 to 46 are an integral part of these financial statements.

1. GENERAL INFORMATION

Country of incorporation

SUN Interbrew Plc (the "Company") is domiciled in Cyprus since 1 December 2010 and was registered 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 1 December 2010 the Company, was registered under the name "SUN Interbrew Limited" and, was incorporated in Jersey, the Channel Islands. The Company and its subsidiaries, outlined in Note 11, are collectively referred as the "Group". The Group is headed by Anheuser-Busch Inbev (the "Shareholder Group", "ABI") (see Note 20).

Principal activities

The principal activities of the Company, which are unchanged from last year end, are to act as a holding and investments company for specific businesses belonging to the controlling shareholder of the Company and the provision of loans within the Group. The Group's operations are primary located in the Russian Federation and secondarily in Ukraine.

Significant events which affect the Company's operations post year are disclosed in Note 22. As discussed in Note 22 in 2018 the Board of Directors of the Company approved the sale of it's operating subsidiaries to a related party and the sale transaction was executed in March 2018.

2. BASIS OF PREPARATION

Statement of compliance

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

The Board of Directors of the Company believes that the financial statements present fairly the financial position, financial performance and cash flows of the entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the 'Framework for preparation and presentation of financial statements' (Framework). The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

These financial statements are prepared for the year ended 31 December 2017 as separate financial statements. The Company has prepared these separate financial statements to comply with the Cyprus Transparency Requirements (securities for Trading on Regulated Markets) of 2007 as amended and the Cyprus Income Tax Laws and Regulations.

Users of these separate financial statements should read them together with the Group's consolidated financial statements for the year ended 31 December 2017, in order to obtain full information on the financial position, financial performance and cash flows of the Group as a whole. The Company has also prepared consolidated financial statements in accordance with IFRSs. The consolidated financial statements can be obtained from the registered office of the Company at 1 Lampousa Street, 1095, Nicosia, Cyprus.

In the consolidated financial statements, subsidiary undertakings, which are those companies over which the Company has control, meaning has power over the subsidiary, exposure or rights to variable returns from its involvement with the subsidiary and the ability to use its power over the subsidiary to affect the amount of its returns, have been fully consolidated.

Going concern basis

The Company has a recent history of substantial operating losses and its current liabilities exceeded its current assets by EUR 51,739 thousand at 31 December 2017, which raised concerns about the ability of the Company to continue as a going concern.

2. BASIS OF PREPARATION (CONTINUED)

Further, in August 2017, the ultimate parent company, Anheuser-Busch Inbev ("AB InBev"), issued a press release announcing a non-binding agreement with Anadolu Efes, the leading brewer in Turkey, regarding a 50:50 merger of AB InBev's and Anadolu Efes' existing Russia and Ukraine businesses. This announcement followed AB InBev's acquisition of a 24% stake in Anadolu Efes as part of the AB InBev's combination with SABMiller, which was completed in October 2016. The merge transaction remained conditional on the completion of satisfactory due diligence and was subject to regulatory approvals in Russia, Ukraine and other regulatory authorities. The combination of the companies' operations in Russia and Ukraine would strengthen the competitive position of both AB InBev's and Anadolu Efes' brands in these markets, with the potential for further growth. The combined business' ambitions would be to lead the Russian and Ukrainian markets, with a diverse portfolio of brands and a broader range of beers for consumers. During 2018, the merge transaction was approved by the regulatory authorities and the relevant Framework agreement was concluded and signed by AB InBev Group and Anadolu Efes. As a part of the merger process between AB InBev Group and Anadolu Efes in Russia and Ukraine, the Company disposed of its ownership interests in its operating subsidiaries in Russia and Ukraine (Note 11). Please refer for further information to Note 22.

As a result, of the post year-end disposal, the directors evaluated whether the going concern assumption was still appropriate for the Company in preparing these financial statements. In making this judgement, the management has considered whether in accordance with IAS 1 'Presentation of financial statement' and IAS 10 'Events after the Reporting Period' the going concern assumption is still applicable for the preparation of these financial statements, and evaluated the following factors:

- In spite of the disposal of the operating subsidiaries by the Company subsequent to the reporting date, the management of the Company does not intent to either liquidate or keep the Company as dormant;
- The Company management has indicated its intention to continue to explore investment opportunities for acquiring or transferring new operating subsidiaries to the Company to allow it to continue its operations as a going concern;
- The consideration for the disposal of the operating subsidiaries was fully paid in cash, thus increasing the liquidity of the Company;
- Following the disposal of its operating subsidiaries, the Company is therefore financially able to invest in new acquisitions;
- In addition, the Company received confirmation of financial support from its ultimate parent company that will enable it to continue in operation for at least 12 months from the date of the financial statements.

After considering all the factors above, related uncertainties, management's intentions and the ultimate parent company support confirmation, the management has a reasonable expectation that the Company will continue operations and for this reason believes it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The Company analysed the criteria under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', for classifying its subsidiaries in Russia and Ukraine as a non-current assets held for sale and has considered the following factors as of 31 December 2017:

- The agreement was non-binding and subject to certain conditions which included receipt of the necessary regulatory approvals, satisfactory completion of the due diligence process and agreement of the transaction price;
- The agreement did not outline specific details of the legal structure of the merger. Therefore, at the reporting date, the management had no intention to dispose or valid expectation that its operating subsidiaries would had been disposed;
- The approvals from the relevant antimonopoly authorities were outstanding;
- The management assessed the regulatory process in the different jurisdictions and the likelihood of such approvals to be denied or delayed, and based on its experience have concluded that there are reasonable concerns as of the reporting date;
- The ultimate parent company concluded to the price and approved the sales deal structure only in the period post year end;
- The Company committed to the sale of the operating subsidiaries only subsequent to the year-end.

2. BASIS OF PREPARATION (CONTINUED)

Based on the above analysis, the Company concluded that the IFRS 5 criteria were not met as of 31 December 2017 and, accordingly, the Company did not classify is relevant non-current assets as Held for Sale.

Basis of measurement

The financial statements are prepared on the historical cost basis.

Functional and presentation currency

The Company's functional currency and the currency in which these financial statements are presented is Euro ("EUR"). Management considers that EUR reflects the economic substance of the underlying events and circumstances of the Company.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs 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 assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are outlined below.

(a) Impairment of investments in subsidiaries

The Company follows the guidance of IAS 36 in determining when an investment is impaired. This determination requires significant judgement. In making this judgment, the Company determines whether the recoverable amount of an investment is less than its carrying amount. The recoverable amount of the investment is the higher of its fair value less cost of disposal and value in use. The Company has calculated only the value in use as this was higher than the carrying amount of the investments.

The value in use was defined based on the discounted cash flow projections for the Company's subsidiaries in Russia and Ukraine.

Following the identification of indication of impairment (e.g. operating losses and reduction of revenue at the subsidiary level), the Company estimated the recoverable amount of the investments in subsidiaries (cash generating unit level 'CGU') and compared it to the carrying amount of investments as of the year end. An impairment charge was not deemed necessary for the year ended 31 December 2017 (2016: impairment charge of EUR 174,738,412).

Key assumptions used in discounted cash flow projections

In relation to the direct and indirect investment in SUN InBev Russia with carrying amount of EUR 410,896 thousand and SUN InBev Ukraine with carrying amount of EUR 16,675 thousand, the following key assumptions were made:

(i) The first year is based on management best estimates of the free cash flow outlook for the next year;
(ii) In the second to third year, free cash flows are based on the strategic plan as approved by Company's ultimate parent Anheuser Busch InBev. The 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. Sales decline in the period 2018 to 2020 is based on volume and price forecasts and is expected by the Company at the level from 4.82% till 0% for Russia and from 9.40% till 3.93% for Ukraine; EBITDA is expected to grow which should result in EBITDA margin improvement from approximately 9.9% in 2018 up to 11.7% in 2020 for Russia and stable EBITDA level of approximately 10.5% for the Ukraine.

2. BASIS OF PREPARATION (CONTINUED)

Key assumptions used in discounted cash flow projections (continued)

(iii) For the subsequent five years of the model for SUN InBev Russia, 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 the last year estimate's per the strategic plan and price growth linked to local consumer price indices ("CPI"), as obtained from external sources; the CPI level used in the model was 4% for Russia; the growth for Ukraine subsequent to 2020 was assumed at zero level.
(iv) Cash flows after the eighth year period are extrapolated generally using expected annual long term CPI, based on external sources, in order to calculate the terminal value, considering sensitivities on this metric.
(v) Projections represent post-tax cash flows and are made in the functional currency of each business unit and discounted at the unit's weighted average cost of capital which was approximately 12% (2016: 13.1%) for Russia and 21.5% (2016: 32.6%) for Ukraine.

Below a summary of the key assumptions used in the current and prior year DCF model:

	2017	2016
SUN InBev Russia		
Sales growth	(1.02)%	5.4%
EBITDA growth	10.3%	16.9%
Terminal growth	4%	3%
WACC	12%	13.1%
SUN InBev Ukraine		
Sales growth	(5.7)%	13.2%
EBITDA growth	(4.6)%	17.8%
Terminal growth	0%	0%
WACC	21.5%	32.6%

Sensitivity to changes in assumptions:

The impairment test is sensitive to changes in EBITDA growth rates and discount rates. The discount rates used are post-tax, and reflect specific risks relating to the Russian and Ukrainian CGUs.

- If the revised estimated post-tax discount rate applied to the discounted cash flows of the Russian and Ukrainian CGUs had been 1% higher than management's estimates, the recoverable amount of the Russian and Ukrainian CGUs would be reduced by EUR 54,497 thousand and EUR 109 thousand, respectively.
- If the revised estimated perpetual growth rate applied to the discounted cash flows of the Russian and Ukrainian CGUs had been 1% lower than management's estimates, the recoverable amount of the Russian CGU would be decreased by EUR 34,193 thousand. There is no effect to the recoverable amount of the Ukrainian CGU as the growth rate was set to zero.

The above changes in the recoverable amount result in impairment of direct and indirect investment in SUN InBev Russia as at 31 December 2017 in amount of EUR 37,980 thousand and EUR 18,641 thousand respectively. The above changes, do not result in any impairment in relate to the investment in SUN InBev Ukraine.

Although the Company believes that its judgments, assumptions and estimates are appropriate, actual results may differ from these estimates under different assumptions or market or macro-economic conditions. However, reasonable changes are not expected to lead to a different conclusion.

(b) Impairment of financial assets

As at 31 December 2017 the Company keeps current bank account in the name of Cobrew, subsidiary of the Company's ultimate parent Anheuser Busch InBev, see Note 14. There is no established credit ratings for Cobrew account, however the credit risk for this account is affected by the credit risk of the Anheuser Busch InBev Group, as the related party is part of the ABI Group. There are no indicators of impairment present which may indicate that the specific financial asset may be impaired (Note 18).

3. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Revenue recognition

(a) Dividend income

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

(b) Finance income

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

Foreign currency translation

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency 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.

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. 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 income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within "Finance income/cost".

Initial recognition of related party transactions

In the normal course of business the Company enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. For advances from related parties, the difference between the fair value of the financial instrument at initial recognition and the funds received is accounted for as capital contribution in the statement of changes in equity. See also policy 'transactions with equity holders' below.

Financial instruments

Non-derivative financial assets

Non-derivative financial instruments comprise loans receivable, trade and other receivables and cash and cash equivalents.

The Company 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 Company becomes a party to the contractual provisions of the instrument.

3. ACCOUNTNG POLICIES (CONTINUED)

Financial instruments (continued)

Non-derivative financial assets (continued)

The Company 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 Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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 Company has the following non-derivative financial assets: cash and cash equivalents, loans receivable and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits with maturity of three months or less from the date of acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Loans and receivables

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

Financial liability

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial instruments with another entity under conditions that are potentially unfavorable. Financial liabilities would include, for instance, debt issued by the Company, trade payables, etc.

Financial liabilities are initially measured at fair value and subsequently are measured at amortised cost.

Other payables

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

Borrowings

Borrowings are recorded initially at the proceeds received, 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.

3. ACCOUNTING POLICIES (CONTINUED)

Share capital

Ordinary shares

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.

Impairment

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 are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse exchanges in the payment status of borrowers or issuers in the Company.

The Company 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 Company 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 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.

Finance costs

Finance costs comprise interest expense on borrowings and foreign currency losses. 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.

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, the tax is also recognised in equity or in 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, and any adjustment to tax payable in respect of previous years.

3. ACCOUNTING POLICIES (CONTINUED)

As from tax year 2012 brought forward losses of only five years may be utilised. Under certain conditions interest income may be subject to special contribution for defence at the rate of 30%. In such cases this interest will be exempt from Corporation tax.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 17%. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.

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

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.

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.

Earnings per share

The Company 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 all dilutive potential ordinary and preference shares, which comprise convertible notes and share options granted to employees.

Provisions

A provision is recognised if, as a result of a past event, the Company 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.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control; meaning the Company has power over the subsidiary, exposure, or rights, to variable returns from its involvement with the subsidiary and the ability to use its power over the subsidiary to affect the amount of its returns.

3. ACCOUNTING POLICIES (CONTINUED)

In its parent company financial statements, the Company carries investments in subsidiaries at cost less any impairment.

For subsidiaries which are acquired as a result of reorganisation of the group structure in a manner that satisfies the following criteria:

(a) The new parent obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent;

(b) The assets and liabilities of the new group and the original group are the same immediately before and after the reorganisation; and

(c) The owners of the original parent before the reorganisation have the same absolute and relative interests in the net assets of the original group and the new group immediately before and after the reorganisation,

the Company measures cost at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganization. The difference between this investment cost and the legally issued share capital and share premium of the Company is recorded in other reserves.

The Company recognises income from investments in subsidiaries to the extent that the Company receives distributions from accumulated profits of the subsidiaries arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of investment.

Impairment of tangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future post-tax cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss was recognized in prior years, the Company reviews at each reporting date whether there is an indication that the impairment loss may no longer exist or may have decreased. If such an indication exists, the Company estimates the recoverable amount of that asset (or cash-generating unit). Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Transactions with equity holders

The Company enters into transactions with its shareholders. When consistent with the nature of the transaction (i.e. when these transactions are not at arm’s length prices), the Company’s accounting policy is to recognise any gains or losses with equity holders, directly through equity and consider these transactions as the receipt of additional capital contribution or the distribution of dividends. Similar transactions with non-equity holders, or parties which are not under the control of the parent company, are recognised through the income statement in accordance with IAS 39, Financial Instruments - Recognition and Measurement. The Company believes that this policy provides a fair representation of the Company’s activities.

3. ACCOUNTING POLICIES (CONTINUED)

New Standards and Interpretations

IFRS and IFRIC interpretations adopted in the current year

The Company has adopted all IFRS and Interpretations that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2017. The adoption of such standards did not have a material impact on the Company's financial statements, except for the effects of amendments to IAS 7 as described below.

Amendments to IAS 7 Disclosure Initiative

The Company has applied these amendments for the first time in the current year.
The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company's liabilities arising from financing activities consist of borrowings. A reconciliation between the opening and closing balances of them is provided in Note 17. Consistent with the transition provisions of the amendments, the Company has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 17, the application of these amendments has had no impact on the Company's financial statements.

IFRS and IFRIC interpretations in issue but not yet effective

At the date of authorization of these financial statements, the following standards and interpretations have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2018 or later periods and which the entity has not early adopted:

Standards and Interpretations	**Adopted by the European Union Effective for annual periods on or after**	**Not yet adopted by the European Union Effective for annual periods on or after**
IFRS 9 "Financial Instruments"	1 January 2018	
IFRS 15 "Revenue from Contracts with Customers"	1 January 2018	
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	
IFRS 16 "Leases"	1 January 2019	
IFRS 17 "Insurance Contracts"		1 January 2021
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	1 January 2018	
IFRIC 23 "Uncertainty Over Income Tax Treatments"		1 January 2019
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		Deferred Indefinitely
Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions	1 January 2018	
Amendments to IAS 40 – Transfers of Investment Property	1 January 2018	
Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	
Amendments to IFRS 9 – Prepayment Features With Negative Compensation	1 January 2019	
Amendments to IAS 28 – Long-Term Interests in Associates and Joint Ventures		1 January 2019
IFRS 14 Regulatory Deferral Accounts		Postponed
Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement		1 January 2019
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018	
Annual Improvements to IFRSs 2015-2017 Cycle		1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards		1 January 2020

3. ACCOUNTING POLICIES (CONTINUED)

The impact of implementation of IFRS 9 on the Company's financial statements in the year of adopting discussed below. Management does not anticipate that the application of other IFRSs will have a significant impact on the financial position and/or financial performance of the Company.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets**. All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- **Impairment.** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

3. ACCOUNTING POLICIES (CONTINUED)

IFRS and IFRIC interpretations in issue but not yet effective (continued)

The standard is effective from 1 January 2018 with early application permitted. The full impact of adopting IFRS 9 on the Company's financial statements in the year of adoption will depend on the financial instruments that the Company has during 2018 as well as on the economic conditions and judgments made as at the year end. Company has elected not to restate comparatives on initial application of IFRS 9. Based on a preliminary analysis of the Company's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the management of the Company has assessed the impact of IFRS 9 to the Company's financial statements as follows:

- **Classification and measurement.** Investments in subsidiaries that are measured at cost were disposed subsequent to the year end, see Note 22. Therefore, there will be no impact of implementation of IFRS 9 on the Company's financial statements in the year of adopting. The remaining financial assets and liabilities measured at amortized cost and therefore will continue to classify and measure them on the same bases as is currently adopted under IAS 39.
- **Impairment**. Financial assets measured at amortised cost (loans and receivables and cash and cash equivalents as disclosed in Note 21) will be subject to the impairment provisions of IFRS 9. In general, the management anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items; however, the management anticipates that the impact will not be significant.

4. DETERMINATION OF FAIR VALUES

A number of the Company'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.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Other receivables

The fair value of other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes. The fair value of other receivables approximates their carrying amount at the balance sheet date.

Cash and cash equivalents

The fair value of cash and cash equivalents, which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of cash and cash equivalent approximates their carrying amount.

Loans and borrowings

The fair value of loans and borrowings is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes. The fair value of loans and borrowings approximates their carrying amount at the balance sheet date.

5. RECLASSIFICATION OF COMPARATIVE INFORMATION

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

In the prior year signed financial statements, the Company did not adjust the loss for the year ended 31 December 2016 for the effect of net foreign exchange gains of EUR 161,157, therefore the caption 'Net cash used in operating activities' was misstated with the same amount.

The table below discloses changes due to retrospective adjustments in the statement of cash flow for the year ended 31 December 2016:

Expressed in Euros	Year ended 31 December 2016 (previously reported)	Adjustment due to correction of error	Year ended 31 December 2016 (adjusted)
Cash flows from operating activities			
Foreign exchange gain – net	-	(161,157)	(161,157)
Effect of exchange rate fluctuations on cash and cash equivalents and overdrafts	(723,404)	161,157	(562,247)

6. IMPAIRMENT LOSSES

Expressed in Euros	2017	2016
Impairment of investment in subsidiaries (Note 2, 11)	-	(174,738,412)
	-	**(174,738,412)**

7. ADMINISTRATIVE AND OTHER EXPENSES

Expressed in Euros	2017	2016
Auditors' remuneration for the statutory audit of annual financial statements	55,000	55,000
Other expenses	95,870	90,035
	150,870	**145,035**

Audit fees amount to EUR 55,000 (2016: EUR 55,000) charged by the Company's statutory audit firm, and out of pocket expenses of EUR 7,800. The Company's statutory audit firm did not offer any non-audit fees in 2017 and 2016.

The Company did not have any employees during 2017 and 2016.

8. DIVIDENDS PER SHARE

The Board of Directors may at a later stage consider the payment of interim dividends out of retained earnings, in accordance with the relevant provisions of the Companies Laws and the Articles of Association of the Company.

No dividends were announced and paid in 2017 and 2016.

9. FINANCE INCOME/(COSTS), NET

'000 EUR	2017	2016
Recognised in profit or loss		
Foreign exchange gain	8,226,812	2,308,853
Interest income on bank deposits	1,216,062	907,754
Finance income	**9,442,874**	**3,216,607**
Interest expense on loans and borrowings	(3,259,844)	(1,862,185)
Foreign exchange loss	(1,496,473)	(2,147,696)
Interest expense on overdrafts	(2,499)	(16,407)
Other	(9,174)	(8,874)
Finance costs	**(4,767,990)**	**(4,035,162)**
Finance income / (costs), net	**4,674,884**	**(818,555)**

10. INCOME TAX EXPENSE

Expressed in EUR	2017	2016
Current tax:		
Corporation tax	2,210	3,000

Expressed in EUR	2017	2016
Profit/Loss before tax	4,524,014	(175,702,002)
Tax calculated at the applicable corporation tax rate of 12,5%	565,501	(21,962,750)
Tax effect of expenses not deductible for tax purposes	278,276	21,985,895
Tax effect of allowances and income not subject to tax	(841,567)	(20,145)
Income tax charge	**2,210**	**3,000**

The Company is subject to income tax on taxable profits at the rate of 12,5%.

11. INVESTMENTS IN SUBSIDIARIES

Expressed in Euros	2017	2016
Opening balance	427,570,943	602,309,355
Impairment	-	(174,738,412)
Closing balance	**427,570,943**	**427,570,943**

11. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Company's interests in its subsidiaries, all of which are unlisted, were as follows:

Name	Country of incorporation	Principal activities	% interest held 2017	% interest held 2016
SB Management Services Ltd	Cyprus	Dormant	100%	100%
SUN Breweries CIS	Cyprus	Investment and consulting services	100%	100%
SUN Interbrew Finance	Russia	Dormant	100%	100%
SUN InBev Russia *	Russia	Manufacturing, marketing and distribution of beer and soft drinks	93,72 %*	93,72 %*
Bevmar GmbH*	Germany	Investment holding	100%	100%
Interbrew YNTR Holding**	Netherlands	Investment and consulting services	100%	100%
Abberton Consultant Ltd**	Cyprus	Investment and consulting services	100%	100%
Devize Investments**	Cyprus	Investment services	100%	100%

*The Company holds directly 93,72% of SUN InBev Russia and indirectly 1,54% through Bevmar GmbH which was acquired in 2013.

**The Company holds indirectly 98,32% of SUN InBev Ukraine through Interbrew YNTR Holding, Aberton Consultant Ltd, Devize Investments.

During 2016, the Company recognized an impairment loss of EUR 174,738 thousand in relation to the direct investment in SUN InBev Russia and indirect investment in SUN InBev Ukraine. The recoverable amount of the investments was based on value in use approach. Value in use was estimated using discounted cash flows. For more details of the assumptions used in the discounted cash flow projections refer to Note 2.

As part of the impairment review at 31 December 2017, the Board of Directors assessed that no impairment provision was necessary.

In 2018 the Company disposed its ownership interests in its operating subsidiaries (please refer to Note 22).

12. LOSS PER SHARE

Basic earnings per share is calculated by dividing the loss 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.

2017	Profit (Numerator) EUR	Shares (Denominator)	Per share-amount EUR
Basic and diluted EPS			
Attributable to holders of class "A" participating shares	3,444,121	88,832,710	0.039
Attributable to holders of class "B" participating shares	1,077,683	27,796,220	0.039
Total attributable to participating shares	**4,521,804**	**116,628,930**	**0.039**

2016	Loss (Numerator) EUR	Shares (Denominator)	Per share-amount EUR
Basic and diluted EPS			
Attributable to holders of class "A" participating shares	(134,544,149)	88,832,710	(1.507)
Attributable to holders of class "B" participating shares	(41,160,853)	27,796,220	(1.507)
Total attributable to participating shares	**(175,705,002)**	**116,628,930**	**(1.507)**

13. OTHER RECEIVABLES

Expressed in Euros	2017	2016
Current		
Other receivables from related parties (Note 20 (a))	20,000	29,815
	20,000	**29,815**

All amounts receivable are current and expected to be recoverable in full. No amounts receivable are past due or considered as impaired and no provision for impairment had been made.
The Company believes that nominal amount included in the financial statements is not materially different from fair value.

All the carrying amounts of the Company's trade and other receivables are denominated in EUR.

The maximum exposure to credit risk at the statement of financial position date is the carrying value of each class of receivable mentioned above.

14. CASH AND CASH EQUIVALENTS

Expressed in Euros	2017	2016
Demand deposits	14,102,330	18,057,982
Cash and cash equivalents in the statement of financial position	**14,102,330**	**18,057,982**

The Company had used overdraft facilities during the previous year. The amount of outstanding overdraft included into cash and cash equivalent as at 31 December 2016 was EUR 7,255,002.

In 2017 the Company signed a current account agreement with Cobrew S.A. (hereinafter «Cobrew»), a related party. This agreement has no fixed maturity date and provides notification period for payments from or deposits to this account of 2 to 5 days. Interest rate applied by Cobrew is based on 1 month market interest rate plus 0.20%.

The Company classifies the balance at Cobrew account as cash and cash equivalent. The net amount of outstanding balance at current account with Cobrew included into cash and cash equivalent in the statement of cash flows as at 31 December 2017 was EUR 6,705,829.

Expressed in Euros	2017	2016
Cash and cash equivalents	14,102,330	18,057,982
Overdrafts used for cash management purposes (Note 17)	(7,396,501)	(7,255,002)
Cash and cash equivalents in the statement of cash flows	**6,705,829**	**10,802,980**

Cash and cash equivalents are denominated in the following currencies:

	2017	2016
Euro - functional and presentation currency	(7,396,501)	(7,255,002)
USD	2,674,483	6,903,938
RUB	11,427,847	11,154,044
	6,705,829	**10,802,980**

15. SHARE CAPITAL AND SHARE PREMIUM

Number of shares unless otherwise stated	Non-redeemable preference shares (Class A) 2017	Non-redeemable preference shares (Class A) 2016	Ordinary shares (Class B) 2017	Ordinary shares (Class B) 2016
Authorised shares	125,278,614	125,278,614	30,000,000	30,000,000
Par value	GBP 0.01	GBP 0.01	GBP 0.01	GBP 0.01
On issue at 1 January	88,832,710	88,832,710	27,796,220	27,796,220
On issue at 31 December, fully paid	**88,832,710**	**88,832,710**	**27,796,220**	**27,796,220**

Ordinary shares

All shares rank equally with regard to the Company’s residual assets.

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.

15. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

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.

Share premium

Share premium is a 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.

Distributable reserves

The amounts available for distribution to the Company's shareholders in the form of dividends are the distributable reserves of the Company presented within retain earnings.

16. OTHER PAYABLES

Expressed in Euros	**2017**	**2016**
Other payables to third parties	103,092	91,861
	103,092	**91,861**

The fair value of trade and other payables which are due within one year approximates their carrying amount at the statement of financial position date.

17. LOANS AND BORROWINGS

Expressed in Euros	**2017**	**2016**
Non-current		
Loan from related parties (Note 20 (b)	-	67,145,906
Current		
Overdrafts used for cash management purposes (Note 14)	7,396,501	7,255,002
Loans from related parties (Note 20 (b))	58,503,696	-
Total non-current loans and borrowings	**-**	**67,145,906**
Total current loans and borrowings	**65,900,197**	**7,255,002**

Overdraft is denominated in EUR with no fixed maturity date. Interest rate stays in spread of 1.68% - 7%. The loan from related party is denominated in USD, bears interest rate of 4,945% per annum calculated on Act/360 and is repayable in 2018. During 2017 interest expense of EUR 3,259,844 (2016: 1,862,185) was recognised in profit or loss (Note 9). Interest payable presented within loans and borrowings as at 31 December 2017 are EUR 136,296 (31 December 2016: EUR 136,296).

In 2017 the Company signed the current account agreement with Cobrew, see Note 14.

17. LOANS AND BORROWINGS (CONTINUED)

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	31/12/2016	Interest paid	Interest expense	Foreign exchange gain	31/12/2017
Current loans from related parties	67,145,906	(3,677,741)	3,262,343	(8,226,812)	58,503,696
	67,145,906	**(3,677,741)**	**3,262,343**	**(8,226,812)**	**58,503,696**

18. FINANCIAL RISK MANAGEMENT

Risk management framework

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk, currency risk and price risk), credit risk and liquidity risk. Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

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 Company's exposure should be to fixed or variable rates, as the majority of the Company's loans is drawn from related parties.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

Profile

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

	Carrying amount	
'000 EUR	**2017**	**2016**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(58,503,696)	(67,145,906)
	(58,503,696)	**(67,145,906)**
Variable rate instruments		
Financial assets	14,102,330	18,057,982
Financial liabilities	(7,396,501)	(7,255,002)
	6,705,829	**10,802,980**

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.

	Profit or loss		Equity	
'000 EUR	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
2017				
Variable rate instruments	67,058	(67,058)	67,058	(67,058)
Cash flow sensitivity (net)	**67,058**	**(67,058)**	**67,058**	**(67,058)**
2016				
Variable rate instruments	108,030	(108,030)	108,030	(108,030)
Cash flow sensitivity (net)	**108,030**	**(108,030)**	**108,030**	**(108,030)**

Fair value sensitivity analysis for fixed rate instruments

The Company 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.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures from outstanding receivables and committed transactions.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

__Cash and cash equivalents__

The Company keeps current bank accounts in the name of Cobrew, a subsidiary of the Company's ultimate parent Anheuser Busch InBev (hereinafter «ABI»), see Note 14. There is no established credit ratings for Cobrew account, however the credit risk for this account is affected by the credit risk of ABI group. ABI group attempt to minimize its credit exposure to counterparties by entering into agreements with major international financial institutions with high credit ratings as issued by Fitch. There are no indicators of impairment present which may indicate that the specific financial asset may be impaired. (Note 2(b)).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure that it will get sufficient financial support by its Parent company on as a needed basis. As disclosed on Note 22 the Company has disposed some of its investments post year-end generating sufficient funds to settle its liabilities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

EUR	**Less than 1 year**	**Between 1 and 2 years**
At 31 December 2017		
Trade and other payables	103,092	-
Loans and borrowings	68,986,701	-
	69,089,793	**-**
At 31 December 2016		
Trade and other payables	91,861	-
Loans and borrowings	7,255,002	73,826,906
	7,346,863	**73,826,906**

__Currency risk__

The Company is exposed to currency risk on loans received that are denominated in a currency other than the functional currency of the Company. The Company has a loan from a related party denominated in United States Dollar (USD). The Company is also exposed to currency risk on demand deposits denominated in United States Dollar (USD) and Russian Rubles (RUB).

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on nominal amounts:

EUR	USD-denominated 2017	USD-denominated 2016
Cash and cash equivalents	2,674,483	6,903,938
Current loans from related parties	(58,503,696)	(67,145,906)
Net exposure	**(55,829,213)**	**(60,241,968)**

EUR	RUB-denominated 2017	RUB-denominated 2016
Cash and cash equivalents	11,427,847	11,154,044
Net exposure	**11,427,847**	**11,154,044**

A strengthening/weakening of the USD and RUB, 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 Company 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 2016 as indicated below.

'000 EUR	Strengthening		Weakening	
	Equity	Profit or loss	Equity	Profit or loss
31 December 2017				
USD (+/-10% movement in exchange rate)	(5,582,921)	(5,582,921)	5,582,921	5,582,921
RUB (+/-10% movement in exchange rate)	1,142,785	1,142,785	(1,142,785)	(1,142,785)
31 December 2016				
USD (+/-10% movement in exchange rate)	(6,024,187)	(6,024,187)	6,024,187	6,024,187
RUB (+/-10% movement in exchange rate)	1,115,404	1,115,404	(1,115,404)	(1,115,404)

Capital risk management

The Company is continuously optimizing its capital structure targeting to maximize shareholder value which keeping the desired financial flexibility to execute the strategic projects. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares, or sell assets to decrease its borrowings. The Company manages its capital based on its debt to capital ratio. The 'capital' of the Company comprises share capital, share premium and retained earnings.

The Company's debt to capital ratio at the end of the reporting period was as follows:

EUR	2017	2016
Total liabilities	(65,900,197)	(74,400,908)
Less: cash and cash equivalents	14,102,330	18,057,982
Net debt	**(51,797,867)**	**(56,342,926)**
Total equity	**(375,832,409)**	**(371,310,605)**
Debt to capital ratio at 31 December	**0.14**	**0.15**

The slight decrease in the debt to capital ratio in the current year resulted primarily from the reduction of the Company's loans and borrowings and profit for the year.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

19. BUSINESS ENVIRONMENT

Russian business environment

The Company has invested in subsidiaries that are exposed to the economic and financial markets of the Russian Federation (the primary location of the subsidiaries' operations), which display characteristics of an emerging market.

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.

The impact of further economic and political developments on future operations and financial position of the Group might be significant.

Ukrainian business and political environment

The Company's subsidiaries have also operations in Ukraine. The amount of investments into subsidiary in the Ukraine as at 31 December 2017 and 2016 is EUR 16,675 thousand.

In the recent years, Ukraine has been in a political and economic turmoil. In 2016-2017, an armed conflict continued in certain parts of Luhansk and Donetsk regions. These events resulted in higher inflation, devaluation of the national currency against major foreign currencies, decrease of GDP, illiquidity and volatility of financial markets. In January 2016, the agreement on the free trade area between Ukraine and the EU came into force. As a result, the Russian Federation implemented a trade embargo or import duties on key Ukrainian export products. In response, Ukraine implemented similar measures against Russian products.

The Moody's Investors Service rating agency upgraded Ukraine's ratings in Ukrainian and foreign currency with a "positive" outlook on one point in 2017.The key factors in the credit rating change upwards are the effect of structural reforms and the strengthening of Ukraine's position in the world market. According to financial experts' forecasts, the continuation of changes will improve the debt dynamics of Ukraine.

Further disbursements of IMF tranches depend on the implementation of Ukrainian government reforms, and other economic, legal and political factors. However currently it is difficult to predict how further development of business and political environment in Ukraine could impact business of the Group in future.

20. RELATED PARTY TRANSACTIONS

The Company is controlled by Worldoor Limited, incorporated in Cyprus, which effectively owns 73,14% of the Company's shares. 26,22% is also effectively controlled by other related companies within the Shareholder Group, see paragraph 12 of management report. The Company's ultimate controlling party is Anheuser-Busch InBev ("Parent").

Related parties represent fellow subsidiaries under common control within the Anheuser-Busch InBev group, unless otherwise stated.

Related parties may enter into transactions, which unrelated parties may not and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

20. RELATED PARTY TRANSACTIONS (CONTINUED)

The following transactions were carried out with related parties:

(a) Year-end balances

Expressed in EUR	2017	2016
Receivable from related parties:		
Related party	20,000	29,815
	20,000	**29,815**

(b) Loans from related parties

Expressed in EUR	2017	2016
Loans from related parties:		
At the beginning of the year	(67,145,906)	(64,482,884)
Loans advanced during the year	-	(3,452,535)
Interest charged	(3,262,343)	(1,878,592)
Foreign exchange gain	8,226,812	723,404
Interest paid	3,677,741	1,944,701
At the end of the year (Note 17)	**(58,503,696)**	**(67,145,906)**

The loan from related party is denominated in USD with interest rate 4,945% and is repayable in 2018.

(c) Cash and cash equivalent balances

Expressed in EUR	2017	2016
Current account with related parties:		
Demand deposits	14,102,330	-
Overdrafts used for cash management purposes	(7,396,501)	-
	6,705,829	**-**

(d) Interest income and interest expense

	2017	2016
Expressed in EUR		
Interest income on demand deposits:		
Related parties	993,330	-
Interest expense on bank overdraft and loan:		
Related parties	(3,262,343)	(1,862,185)

(e) Management and directors remuneration

The Company did not have any employees during 2017 and 2016. The remuneration of the Directors is payable by the subsidiaries of the Company.

The total remuneration of the Directors for 2017 was EUR 460 thousand (2016: EUR 447 thousand).

(f) Financial support

The Parent company has indicated its intention to provide financial support to the Company to enable it to continue in operation for at least twelve months from the date of the financial statements.

21. FINANCIAL INSTRUMENTS BY CATEGORY

Expressed in Euros	**2017**	**2016**
Loans and receivables		
Other receivables	20,000	29,815
Cash and cash equivalents	14,102,330	18,057,982
	14,122,330	**18,087,797**

Expressed in Euros	**2017**	**2016**
Financial liabilities		
Other payables	103,092	91,861
Overdrafts	7,396,501	7,255,002
Loans from related parties	58,503,696	67,145,906
	66,003,289	**74,492,769**

22. EVENTS AFTER THE BALANCE SHEET DATE

On 8 March 2018 the Board of Directors of the Company approved the sale of its direct and indirect ownership interests in operating subsidiaries in Russia (JSC SUN InBev Russia) and Ukraine (PJSC SUN InBev Ukraine) to AB INBEV WESTERN EUROPEAN HOLDING B.V a fellow subsidiary under common control. The divestment decision was made following the Parent company's decision to merge the ABI Group's operations in Russia and Ukraine with Anadolu Efes (for more details see Note 2 – Going concern basis)

On 22 March 2018 AB INBEV WESTERN EUROPEAN HOLDING B.V and EFES BREWERIES INTERNATIONAL N.V. entered into a Framework Agreement (the "Framework Agreement"), pursuant to which the parties intend to form a joint venture of their respective businesses principally involved in the manufacturing, distribution, marketing and sale of Beer in Russia and Ukraine.

On 23 March 2018, the Company entered into a sale agreement with AB INBEV WESTERN EUROPEAN HOLDING B.V, for the sale of its subsidiaries SUN InBev Russia and Bevmar Gmbh (direct and indirect interest in the operating subsidiary in Russia) for the consideration of EUR 824,407 thousand. It also sold to the same related party the indirectly held ownership interest in its subsidiary in Ukraine for the consideration of EUR 39,611 thousand.

The consideration received for the disposal of the investments in SUN InBev Russia and Bevmar Gmbh exceeds the investment's carrying amount as of 31 December 2017 of EUR 410,894 thousand by EUR 413,513 thousand. As at the date of the approval of these financial statements, the shares were transferred to AB INBEV WESTERN EUROPEAN HOLDING B.V and the consideration was paid to the Company in full.

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

23. CONTINGENCIES

At 31 December 2017, the Company had no contingent liabilities (31 December 2016: zero).

24. COMMITMENTS FOR EXPENDITURE

At 31 December 2017, the Company had no outstanding contractual commitments (31 December 2016: zero).