SUN Interbrew Plc

Annual Report and Consolidated Financial Statements for the year ended 31 December 2015

SUN Interbrew Plc

Contents

SUN Interbrew Plc

Board of Directors and other officers

Nand Lal Khemka - Director (Chairman of the Board)
Denis Khrenov – Director and Chief Executive Officer (“CEO”)
Alexander Balakhnov - Director and Chief Legal Officer and member of the Audit Committee and Nominations and Remuneration Committee (“CLO”)
Olesia Sheppard - Director and Chief Financial Officer (“CFO”)
Shiv Vikram Khemka - Director
Uday Harsh Khemka - Director
Timur Miretskyy - Director
Dmytro Shpakov - Director
Inter Jura CY (Directors) Limited – Director and member of the Audit Committee and Nomination and Remuneration Committee
Inter Jura CY (Management) Limited - Director

Company Secretary

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

Registered office

1 Lampousa Street
CY-1095 Nicosia
Cyprus

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

In accordance with Section 9 sub-sections (3 (c)) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 as amended (the "Law") we, the members of the Board of Directors and the other responsible persons for the consolidated financial statements of SUN Interbrew Plc (the "Company") for the year ended 31 December 2015, confirm that, to the best of our knowledge:

(a) the annual consolidated financial statements which are presented on pages 17 to 70:

(i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and in accordance with the provisions of Section 9, sub-section (4) of the Law, and

(ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of SUN Interbrew Plc and the businesses that are included in the consolidated accounts as a total and

(b) the Board of Directors' report provides a fair view of the developments and the performance of the business as well as the financial position of the Company and the undertakings included in the consolidated accounts as a total, together with a description of the main risks and uncertainties that are facing.

Members of the Board of Directors

Name and surname	**Signature**
Nand Lal Khemka - Chairman	
Denis Khrenov – Director and Chief Executive Officer	
Shiv Vikram Khemka – Director	
Uday Harsh Khemka – Director	
Timur Miretskyy - Director	
Alexander Balakhnov – Director and Chief Legal Officer	
Dmytro Shpakov – Director	
Olesia Sheppard – Director and Chief Financial Officer	
Inter Jura CY (Directors) Limited – Director	
Inter Jura CY (Management) Limited – Director	

Responsible for the preparation of the consolidated financial statements

Name and surname	**Position**	**Signature**
Olesia Sheppard	Chief Financial Officer	

Report of the Board of Directors

1 The Board of Directors presents its report together with the audited consolidated financial statements of SUN Interbrew Plc (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

Principal activities

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

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

3 The loss of the Group for the year ended 31 December 2015 was EUR 110,179 thousand (2014: EUR 163,590 thousand). The primary part of the loss is due to net revenue reduction of EUR 177,214 thousand driven mainly by the overall industry decline, interest expense in the amount of EUR 39,158 thousand on loans and other borrowings and impairment of Ukraine operating segment for EUR 30,409 thousand. For purpose of comparison with 2014, it is noted that two breweries were closed in 2014 with impairment of EUR 76,000 thousand in 2014. On 31 December 2015 the total assets of the Group were EUR 443,544 thousand (2014: EUR 751,114 thousand) and the net assets were EUR 43,564 thousand (2014: net assets EUR 172,534 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.

Principal risks and uncertainties

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

Future developments of the Group

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

Results

6 The Group's results for the year are set out on page 18 of the consolidated financial statements. The loss for the year is carried forward.

No substantial difference of results from indicative results published

7 The loss for the year as presented on page 18 of the consolidated financial statements is EUR 110,179 thousand. Additional impairment for Ukrainian operating segment in amount of EUR 24,369 thousand was recognized in comparison with the preliminary results announced on 26 February 2016 (loss of EUR 85,810 thousand).

Dividends

8 The Board of Directors does not recommend the payment of dividend on the basis of the 2015 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

9 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.

Report of the Board of Directors (Continued)

Share capital (continued)

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

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

11 The shares/GDRs 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.

12 As of 31 December 2015 the Group, which is beneficially owned by Anheuser-Busch InBev, had the following shareholders' structure.

#	Name	A	B	Total	%
1	Interbrew International B.V.	-	1	1	0.0000
2	Worldoor Limited	73,014,380	12,285,318	85,299,698	73.1377
3	Hancock Venture Partners Inc.	30,545	30,545	61,090	0.0524
4	Bank of New York (Nominees) Limited - London	745,384	-	745,384	0.6391
5	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

As of 22 March 2016 Worldoor Limited transferred one class A share to Anheuser-Busch InBev SA/NV and one class A share to InBev Belgium SA/NV.

As of 29 March 2016 Worldoor Limited transferred one class A share to Brandbrew S.A.

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

Report of the Board of Directors (Continued)

Share capital (continued)

Shareholders' structure as of 31 December 2014 was as follows:

#	Name	A	B	Total	%
1	InBev S.A.	2,859,843	2,765,718	5,625,561	4.8235
2	InBev Belgium N.V./S.A.	-	1	1	0.0000
3	Brandbrew S.A.	-	1	1	0.0000
4	Interbrew International B.V.	-	1	1	0.0000
5	Worldoor Limited	70,154,537	9,519,598	79,674,135	68.3142
6	Hancock Venture Partners Inc.	30,545	30,545	61,090	0.0524
7	Bank of New York (Nominees) Limited - London	745,384	-	745,384	0.6391
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.

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

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

- On winding up of the Company, the surplus assets available for distribution shall be distributed proportionately amongst the holders of the Class A shares and the holders of Class B shares according to the amounts of their respective holdings of such shares in the Company.

- The holders of the Class A shares have a right to receive notice of and to attend any shareholder meeting of the Company, but do not have a right to vote at shareholders' meetings, other than at class meetings of the holders of Class A shares, which are necessary in respect of certain matters affecting the rights of the holders of Class A shares.

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

Board of Directors

16 The members of the Board of Directors at 31 December 2015 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year.

17 There being 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.

Report of the Board of Directors (Continued)

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 30 to the consolidated financial statements, there were no material subsequent to the reporting date events, which have a bearing on the understanding of the consolidated financial statements.

21 The Board of Directors has decided to propose to the next Annual General Meeting of the shareholders of the Company a resolution for the change of the Independent Auditors of the Company from PricewaterhouseCoopers Limited to Deloitte Limited from the 2016 Financial Year, and for the authorization of the Board of Directors to fix their remuneration. The decision to change the independent auditors follows similar decisions taken across the whole group of Anheuser-Busch Inbev, which is the Company's ultimate parent company and ultimate controlling party.

Report of the Board of Directors (Continued)

Statement on Corporate governance pursuant to paragraph 5 of the Directive DI190-2007-04 of 2012 of the Cyprus Securities and Exchange Commission regarding the contents of the Annual Financial Report (the "Directive") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Law").

<u>Paragraphs 5(a) – (c) of the Directive – Corporate Governance</u>

22 The Company is voluntarily subject to the provisions of the Corporate Governance Charter, adopted by the Board of Directors at the meeting of the Board of Directors held on 12 August 2012, which is available to the public on the Company's website: www.suninterbrew.com. The Company's corporate governance charter has been adopted, but has not yet been implemented.

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

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

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

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

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

<u>Par. 5(e) of the Directive: Significant shareholders holding the Company's share capital</u>

27 See paragraphs 9 to 15 above under "Share Capital".

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

28 See paragraphs 9 to 15 above under "Share Capital" regarding special rights attributed to classes of shares.

Report of the Board of Directors (Continued)

Statement on Corporate governance pursuant to paragraph 5 of the Directive DI190-2007-04 of 2012 of the Cyprus Securities and Exchange Commission regarding the contents of the Annual Financial Report (the "Directive") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Law") (continued)

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

29 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.

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

<u>Par. 5(i) of the Directive: the powers of the members of the Board of Directors</u>

Competences of the Board

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

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

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

Report of the Board of Directors (Continued)

Statement on Corporate governance pursuant to paragraph 5 of the Directive DI190-2007-04 of 2012 of the Cyprus Securities and Exchange Commission regarding the contents of the Annual Financial Report (the "Directive") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Law") (continued)

<u>Par. 5(i) of the Directive: the powers of the members of the Board of Directors</u> (continued)

Functioning of the Board

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

36 Any director may act at any meeting of the Board by appointing any person (other than a person disqualified by law from being a director of a company) as an alternate director to attend and vote in 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.

Existence and nature of the internal control and risk management system

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

Evaluation of the Board

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

Report of the Board of Directors (Continued)

Statement on Corporate governance pursuant to paragraph 5 of the Directive DI190-2007-04 of 2012 of the Cyprus Securities and Exchange Commission regarding the contents of the Annual Financial Report (the “Directive”) and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the “Law”) (continued)

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

Senior Management

42 The Board of Directors has delegated the daily management of the Company to the 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

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

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

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

Contracts with Directors and related parties

46 Other than the transactions and the balances with related parties referred to in Note 28 of the consolidated financial statements, there were no other significant contracts with the Group, or its subsidiaries at 31 December 2015 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’s powers to committees

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

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

Report of the Board of Directors (Continued)

Statement on Corporate governance pursuant to paragraph 5 of the Directive DI190-2007-04 of 2012 of the Cyprus Securities and Exchange Commission regarding the contents of the Annual Financial Report (the "Directive") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Law") (continued)

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

Delegation of Director's powers to committees (continued)

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

Par 5(j) of the Directive

50 Non-Applicable.

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

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

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

General rules regarding both committees

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

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

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

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

Report of the Board of Directors (Continued)

Statement on Corporate governance pursuant to paragraph 5 of the Directive DI190-2007-04 of 2012 of the Cyprus Securities and Exchange Commission regarding the contents of the Annual Financial Report (the "Directive") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Law") (continued)

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

(a) Regulations for the Nominations and Remuneration Committee

(i) Role

57 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 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

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

(iii) Working rules

59 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.

Report of the Board of Directors (Continued)

Statement on Corporate governance pursuant to paragraph 5 of the Directive DI190-2007-04 of 2012 of the Cyprus Securities and Exchange Commission regarding the contents of the Annual Financial Report (the "Directive") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended (the "Law") (continued)

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

(b) Regulations for the Audit Committee

(i) Role

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

(ii) Composition

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

(iii) Working rules

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

By Order of the Board

Denis Khrenov
Chief Executive Officer

27 April 2016

Independent auditor's report
To the Members of SUN Interbrew Plc

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of SUN Interbrew Plc (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of matter

We draw attention to Note 1b to the consolidated financial statements which indicates that the operations of the Group, and those of other entities in Ukraine, have been affected and may continue to be affected for the foreseeable future, by the continuing uncertainties in Ukraine. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

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

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

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

Other matter

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

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 27 April 2016

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

‘000 Euro	**Note**	**31 December 2015**	**31 December 2014**
Assets			
Non-current assets			
Property, plant and equipment	12	171,876	230,321
Intangible assets	14	54,139	77,967
Available for sale financial assets		89	111
Non-current income tax assets		1,984	2,811
Deferred income tax assets	15	51,978	49,792
Total non-current assets		**280,066**	**361,002**
Current assets			
Inventories	16	46,675	48,531
Loan granted to related party	28	-	128,778
Current income tax assets		1,044	783
Trade and other receivables	17	38,976	38,735
Prepayments		4,898	5,275
Cash and cash equivalents	18	62,254	148,901
Assets classified as held for sale	13	9,631	19,109
Total current assets		**163,478**	**390,112**
Total assets		**443,544**	**751,114**
Capital and reserves and liabilities			
Capital and reserves	19		
Share capital		1,809	1,809
Share premium		459,105	459,105
Accumulated losses		(147,688)	(44,811)
Translation reserve		(270,968)	(252,223)
Total capital and reserves attributable to the owners of the Company		**42,258**	**163,880**
Non-controlling interests		1,306	8,654
Total capital and reserves		**43,564**	**172,534**
Non-current liabilities			
LT Loans and borrowings	21	-	196,957
Employee benefits	22	108	115
Total non-current liabilities		**108**	**197,072**
Current liabilities			
Loans and borrowings	21	156,304	162,534
Trade and other payables	23	243,363	218,766
Current income tax liabilities		205	208
Total current liabilities		**399,872**	**381,508**
Total liabilities		**399,980**	**578,580**
Total equity and liabilities		**443,544**	**751,114**

These consolidated financial statements were approved by the Board of Directors on 27 April 2016 and were signed on its behalf by:

Denis Khrenov – Director and Chief Executive Officer ________________________

Olesia Sheppard – Director and Chief Financial Officer ________________________

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 21 to 70.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

'000 Euro	**Note**	**2015**	**2014**
Revenue	6	610,087	787,301
Cost of sales		(377,232)	(469,011)
Gross profit		**232,855**	**318,290**
Selling, marketing and distribution expenses		(220,245)	(310,941)
General and administrative expenses	7	(51,314)	(58,630)
Other losses, net	8	(9,871)	(2,190)
Impairment losses		(30,409)	(76,000)
Results from operating activities		**(78,984)**	**(129,471)**
Finance income	10	553	334
Finance costs	10	(42,847)	(65,064)
Net finance costs		**(42,294)**	**(64,730)**
Loss before income tax		**(121,278)**	**(194,201)**
Income tax credit	11	11,099	30,611
Loss for the year		**(110,179)**	**(163,590)**
Other comprehensive loss			
Defined benefit plan actuarial losses	22	(48)	(18)
Foreign currency translation difference		(18,743)	(5,370)
Other comprehensive loss for the year		**(18,791)**	**(5,388)**
Total comprehensive loss for the year		**(128,970)**	**(168,978)**
Loss attributable to:			
Owners of the Company		(102,828)	(152,685)
Non-controlling interests		(7,351)	(10,905)
Loss for the year		**(110,179)**	**(163,590)**
Total comprehensive loss attributable to:			
Owners of the Company		(121,622)	(158,083)
Non-controlling interests		(7,348)	(10,895)
Total comprehensive loss for the year		**(128,970)**	**(168,978)**
Loss per share			
Basic and diluted loss per share (EUR)	20	**(0,88)**	**(1,31)**

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 comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 21 to 70.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

‘000 EUR

‘000 Euro	Attributable to equity holders of the Company: Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	**1,809**	**459,105**	**107,892**	**(246,843)**	**321,963**	**19,549**	**341,512**
Comprehensive (loss)/income for the							
Loss for the year	-	-	(152,685)	-	**(152,685)**	(10,905)	**(163,590)**
Defined benefit plan actuarial income	-	-	(18)	-	**(18)**	-	**(18)**
Foreign currency translation difference	-	-		(5,380)	**(5,380)**	10	**(5,370)**
Total comprehensive loss for the year	**-**	**-**	**(152,703)**	**(5,380)**	**(158,083)**	**(10,895)**	**(168,978)**
Balance at 31 December 2014	**1,809**	**459,105**	**(44,811)**	**(252,223)**	**163,880**	**8,654**	**172,534**

‘000 Euro	Attributable to equity holders of the Company: Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	**1,809**	**459,105**	**(44,811)**	**(252,223)**	**163,880**	**8,654**	**172,534**
Comprehensive (loss)/income for the							
Loss for the year	-	-	(102,828)	-	**(102,828)**	(7,351)	**(110,179)**
Defined benefit plan acturial loss	-	-	(49)	-	**(49)**	-	**(49)**
Foreign currency translation difference	-	-		(18,745)	**(18,745)**	3	**(18,742)**
Total comprehensive loss for the period	**-**	**-**	**(102,877)**	**(18,745)**	**(121,622)**	**(7,348)**	**(128,970)**
Balance at 31 December 2015	**1,809**	**459,105**	**(147,688)**	**(270,968)**	**42,258**	**1,306**	**43,564**

(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 changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 21 to 70.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

'000 Euro	**Note**	**2015**	**2014**
Cash flows from operating activities			
Loss for the year		**(110,179)**	**(163,590)**
Adjustments for:			
Depreciation and amortization	12, 14	57,666	87,202
Impairment losses on property, plant and equipment	12	21,217	78,953
Impairment losses on intangible assets	14	246	-
Impairment losses on goodwill	14	10,047	-
Loss on disposal of property, plant and equipment	8	398	406
Interest expense, net of interest income	10	38,605	35,273
Forex resulting from operating activities	8	11,332	
Unrealized foreign exchange gain	10	3,591	2,262
Income tax credit	11	(11,099)	(30,611)
Other non-cash items		149	818
Cash from operating activities before changes in working capital and provisions		**21,973**	**10,713**
Change in inventories		(7,355)	4,033
Change in prepayments for current assets		379	(2,199)
Change in trade and other receivables		(2,461)	(13,268)
Change in trade and other payables		66,439	(7,509)
Change in provisions and employee benefits		(1,147)	(243)
Cash flows from operations before income tax and interest paid		**77,828**	**(8,473)**
Income tax paid		(1,460)	(936)
Interest paid		(39,840)	(33,150)
Net cash generated by/(used in) operating activities		**36,528**	**(42,558)**
Cash flow from investing activities			
Loans granted		-	(21)
Loans repaid	28	124,757	-
Interest received		559	702
Proceeds from sale of property, plant and equipment	13	4,179	8,013
Proceeds from sale of assets held for sale		6,902	110
Disposal of subsidiary		12 399	-
Acquisition of property, plant and equipment	12	(63,905)	(61,556)
Acquisition of intangible assets	14	(1,565)	(3,225)
Net cash generated by/(used in) investing activities		**83,326**	**(55,977)**
Cash flow from financing activities			
Proceeds from borrowings		118,406	147,271
Repayment of borrowings		(308,700)	(71,448)
Other financing costs		(1,018)	(366)
Net cash (used in)/generated by financing activities		**(191,312)**	**75,457**
Net decrease in cash and cash equivalents and bank overdrafts		**(71,458)**	**(23,079)**
Cash and cash equivalents and bank overdrafts at the beginning of the year		148,901	192,839
Effect of exchange rate fluctuations on cash and cash equivalents		(15,189)	(20,859)
Cash and cash equivalents and bank overdrafts at the end of the year	18	**62,254**	**148,901**

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 21 to 70.

1 Background

(a) Organisation and operations

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

As at 31 December 2015 and 2014 99.97% of the Company's preference shares (Class A) and 99.89% 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 and Netherlands has a controlling interest in 5 breweries and 2 malt plants in the Russian Federation and 3 breweries in Ukraine (referred to collectively as the "Group"). The significant subsidiaries within the Group are listed in Note 29.

The Group manufactures, markets and distributes beers and soft drinks. 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 Anheuser-Busch InBev (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 28.

(b) Business environment

Russian business environment

The Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market.

Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2015 the Russian economy was negatively impacted by a decline in oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads.

Russia's credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

1 Background (continued)

(b) Business environment (continued)

As a result during 2015:

- the Central Bank of Russian Federation ("CBRF") exchange rate fluctuated between RUB 49,18 and RUB 72,88 per USD;
- the CBRF key interest rate decreased from 17.0% p.a. to 11.0% p.a.;
- the Russia Trading System ("RTS") stock exchange index ranged between 724 and 1082;
- Russia's long-term credit rating was downgraded by Fitch Ratings in 2015 to BBB-, whilst Standard & Poor's cut it to BB+ and Moody's Investors Service at Ba1.
- access to international financial markets to raise funding was limited for certain entities

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

Ukrainian business and political environment

The recent political and economic instability in Ukraine has continued in 2015 and has led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies.

In March 2014 various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation. Further, in 2014 armed separatist forces obtained control over parts of the Donetsk and Lugansk regions in eastern Ukraine. The relationships between Ukraine and the Russian Federation worsened and remained strained. On 1 January 2016, the agreement on the free trade area between Ukraine and the EU came into force. The Russian government reacted to this event by implementing a trading embargo on many key Ukrainian export products. In response, the Ukrainian government implemented similar countermeasures against Russian products.

As of 18, April 2016 the official exchange rate of Hryvnia against US dollar was UAH 25.48 per USD 1, compared to UAH 24.00 per USD 1 as at 31 December 2015 (31 December 2014: UAH 15.77 per USD 1). To constrain further devaluation of Hryvnia the National Bank of Ukraine has imposed a number of restrictions on operations with foreign currency including: a temporary ban on payment of dividends in foreign currency; a temporary ban on early repayment of debts to non-residents; mandatory sale of 75% of revenue in foreign currency and other restrictions on cash and non-cash operations. The central bank of Ukraine prolonged these restrictions several times during 2015 and the current restrictions are effective until 8 June 2016.

Devaluation of the national currency created pressure on consumer price index. The official inflation rate in Ukraine for 2015 reached 43.3%.

On 11 March 2015 the IMF Executive Board approved a four-year Extended Fund Facility ("EFF") programme for Ukraine exceeding USD 17 billion. During 2015 Ukraine obtained first and second tranches in accordance with the programme in the amount of USD 5 billion and USD 1.7 billion, respectively. In October 2015, Ukraine reached an agreement with the majority of its creditors for restructuring of part of the national external debt in the amount of USD 15 billion. The restructuring pushes out maturities of restructured debt to 2019-2027, fixing annual interest rate at the level of 7.75% and includes exchange of 20% of the debt into GDP warrants at par value of USD 2.9 billion. There remains a significant portion of debt for which a restructuring has not been agreed to.

1 Background (continued)

(b) Business environment (continued)

After reaching the above restructuring agreement on external debt with the majority of its creditors, the credit rating of Ukraine has improved.

Further disbursements of IMF tranches depend on the implementation of Ukrainian government reforms, and other economic, legal and political factors.

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

2 Basis of preparation

(a) Statement of compliance

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

The remuneration of the auditors of the Group for the audit services provided to the Group amount to EUR 261 thousand (2014: EUR 290 thousand). During 2015 an amount of EUR 19 thousand was charged by the Company's auditors for tax services provided (2014: EUR 3 thousand).

(b) Basis of measurement

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

(c) Functional and presentation currency

The Company's functional currency is the Euro. Items included in the Group's financial statements are measured using the currency of the primary economic environment in which each entity operates. The functional currencies of the Russian and Ukrainian subsidiaries are the Russian Rouble and 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.

(d) Use of estimates and judgments

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

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

2 Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

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

- Note 24 – Financial instruments and risk management

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

- Note 1 – Business environment
- Note 13 – Non-current assets classified as held for sale
- Note 14 – Goodwill impairment testing assumptions
- Note 15 – Deferred tax assets
- Note 27 – Contingencies.

(e) Changes in accounting policies

The Group changed its accounting policies during 2015 financial year in order to adopt all new and revised International Financial Reporting Standards that are relevant to its operations and are effective for accounting periods beginning on 1 January 2015 as described in Note 3(t).

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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.

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.

(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.

3 Significant accounting policies (continued)

(b) Business combination. Sale and purchase of business

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 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 P&L. 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 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.

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

3 Significant accounting policies (continued)

(c) Foreign currency (continued)

(ii) Foreign entities

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

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

Foreign currency differences are recognised in other comprehensive loss/income, and presented in the foreign currency translation reserve in equity. However, if the entity is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign entity is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that

foreign entity is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign entity while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign entity while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

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

(a) assets and liabilities for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each statement of comprehensive income or separate income statement presented (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions or at the average exchange rate for the period; and

(c) all resulting exchange differences shall be recognized in other comprehensive loss/income.

3 Significant accounting policies (continued)

(d) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise 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.

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 17, cash and cash equivalents as presented in Note 18 and loans to related parties as presented in Note 28 (b).

Cash and cash equivalents

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

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

Available-for-sale financial assets

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

3 Significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Non-derivative financial liabilities

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

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

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

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

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

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

(iii) Share capital

Ordinary shares (Class A)

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

Preference share capital (Class B)

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

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

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

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

3 Significant accounting policies (continued)

(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.

(iii) Depreciation

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

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

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

- buildings 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(i)).

3 Significant accounting policies (continued)

(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 reporting period. 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.

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.

(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.

3 Significant accounting policies (continued)

(g) Intangible assets (continued)

(ii) Brands and Trademarks

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

(vi) Amortisation

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

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

- software 3-5 years

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

3 Significant accounting policies (continued)

(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 them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(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.

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.

3 Significant accounting policies (continued)

(j) Impairment (continued)

(i) Non-derivative financial assets (continued)

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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.

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.

3 Significant accounting policies (continued)

(k) Employee benefits (continued)

(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 loss/income and all expenses related to the plan in personnel expenses in profit or loss.

(iii) Short-term benefits

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

(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.

(m) Revenue

(i) Goods sold

Income is recognized when it is probable that the economic benefits associated with the transaction will flow to the company and the income 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, trade discounts, volume rebates, discounts for cash payments and excise taxes.

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

3 Significant accounting policies (continued)

(m) Revenue (continued)

(i) Goods sold (continued)

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.

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

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.

3 Significant accounting policies (continued)

(p) Current and deferred income tax (continued)

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.

(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.

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

(t) New Standards and Interpretations

As of the date of the authorisation of the consolidated financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2015 have been adopted by the EU through the endorsement procedure established by the European Commission.

3 Significant accounting policies (continued)

(t) New Standards and Interpretations (continued)

Adoption of new and revised IFRS

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2015. This adoption did not have a material effect on the accounting policies of the Group.

The following amended standards became effective for the Group from 1 January 2015, but did not have any material impact on the Group.

- Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014).
- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).
- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Group has not early adopted.

- IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018).
- IFRS 16 "Leases" (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019).
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017).

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).

3 Significant accounting policies (continued)

(t) New Standards and Interpretations (continued)

Adoption of new and revised IFRS (continued)

- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).

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

4 Determination of fair values

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

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.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

5 Operating segments

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

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

(i) Information about reportable segments

2015 **'000 EUR**	**Russia**	**Ukraine**	**Total**
Total segment revenue	458,223	151,864	610,087
Total Revenue	458,223	151,864	610,087
Cost of sales	(266,880)	(110,352)	(377,232)
Selling, marketing and distribution expenses	(179,986)	(40,258)	(220,244)
General and administrative expenses	(41,963)	(9,351)	(51,314)
Other loss, net	(6,384)	(3,487)	(9,871)
Finance income	506	47	553
Finance costs	(40,728)	(2,120)	(42,848)
Non-Recurring impairment loss	-	(30,409)	(30,409)
Reportable segment loss before income tax	**(77,212)**	**(44,066)**	**(121,278)**
Assets			
Reportable segment assets	347,261	87,880	435,141
Assets classified as held for sale (cost)	9,631	-	9,631
Inter-segment assets	(839)	(389)	(1,228)
Total	**356,053**	**87,491**	**443,544**
Liabilities			
Reportable segment liabilities	(327,307)	(73,901)	(401,208)
Inter-segment liabilities	389	839	1,228
Total	**(326,918)**	**(73,062)**	**(399,980)**

Other items

2015 **'000 EUR**	**Russia**	**Ukraine**	**Total**
Interest income	506	47	553
Interest expense	(40,728)	(2,120)	(42,848)
Capital expenditure	(41,671)	(22,234)	(63,905)
Depreciation and amortisation	(39,371)	(18,383)	(57,755)
Impairment on property, plant and equipment	(964)	(20,252)	(21,216)
Income tax (expense)/credit	9,367	1,732	11,099

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

5 Operating segments (continued)

(i) Information about reportable segments (continued)

2014

'000 EUR	**Russia**	**Ukraine**	**Total**
Total segment revenue	584,477	206,441	790,918
Inter-segment revenue	(3,617)	-	(3,617)
Total Revenue	**580,860**	**206 441**	**787 301**
Cost of sales	(319,566)	(149,445)	(469,011)
Selling, marketing and distribution expenses	(250,795)	(60,146)	(310,941)
General and administrative expenses	(45,550)	(13,080)	(58,630)
Operating expenses, net	(1,605)	(585)	(2,190)
Non-recurring impairment loss	(76,000)	-	(76,000)
Finance income	215	119	334
Finance costs	(47,632)	(17,432)	(65,064)
Reportable segment loss before income tax	**(160,073)**	**(34,128)**	**(194,201)**
Assets			
Reportable segment assets	634,566	120,423	754,989
Inter-segment receivables	(924)	(2,951)	(3,875)
	633,642	**117,472**	**751,114**
Liabilities			
Reportable segment liabilities	(505,381)	(77,074)	(582,455)
Inter-segment payables	2,951	924	3,875
	(502,430)	**(76,150)**	**(578,580)**

Other items

2014

'000 EUR	**Russia**	**Ukraine**	**Total**
Interest income	215	119	334
Interest expense	(35,137)	(470)	(35,607)
Capital expenditure	(39,135)	(25,646)	(64,781)
Depreciation and amortisation	(51,831)	(35,371)	(87,202)
Impairment on property, plant and equipment and intangible assets (incl. non-recurring)	(77,093)	(1,860)	(78 953)
Income tax credit	24,430	6,181	30,611

(ii) Major customers

In 2015, as well as in 2014, 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.

6 Revenue

'000 EUR	**2015**	**2014**
Beer	603,893	780,190
Soft drinks	6,194	7,111
	610,087	**787, 301**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

7 General and administrative expenses

‘000 EUR	**2015**	**2014**
Fixed administrative costs	(33,281)	(40,015)
Supply chain overheads	(7,297)	(6,845)
Service fee costs	(5,761)	(5,016)
Depreciation and impairment (other than “non- recurring”)	(4,975)	(6,754)
	(51,314)	**(58,630)**

8 Other losses, net

‘000 EUR	**2015**	**2014**
Other (losses) / gains	3,164	2,737
Forex resulting from operating activities	(11,332)	-
Restructuring expenses / payments to employees	(1,305)	(4,521)
Loss on disposal of property, plant and equipment	(398)	(406)
Other losses, net	**(9,871)**	**(2,190)**

9 Personnel costs

‘000 EUR	**2015**	**2014**
Wages and salaries	56,073	81,660
Compulsory social security contributions and contributions to State pension fund	12,554	20,903
Other employee benefits	7,529	13,485
Restructuring expenses of payments to employees included in other losses, net	1,305	4,521
	77,461	**120,569**

10 Finance income and finance costs

‘000 EUR	**2015**	**2014**
Recognised in profit or loss		
Interest income on loans and receivables	-	-
Interest income on bank deposits	553	334
Finance income	**553**	**334**
Interest expense on loans and borrowings	(39,158)	(35,607)
Net foreign exchange loss	(3,591)	(29,088)
Other	(98)	(369)
Finance costs	**(42,847)**	**(65,064)**
Net finance costs recognised in profit or loss	**(42,294)**	**(64,730)**

11 Income tax expense

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

The statutory income tax rate applicable to the Russian companies is 20% (2014: 20%). The statutory income tax rate applicable to the Ukrainian companies is 18% (2014: 18%).

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

11 Income tax expense (continued)

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

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

‘000 EUR	**2015**	**2014**
Current tax expense		
Current year	640	668
Income tax charge	489	1 225
	1,129	**1,893**
Deferred tax expense (Note 15)		
Origination and reversal of temporary differences	(12,228)	(32,504)
	(12,228)	**(32,504)**
Total income tax credit	**(11,099)**	**(30,611)**

Reconciliation of effective tax rate:

	2015	**2014**
Loss before income tax	**(121,278)**	**(194,201)**
Tax credit calculated at corporate tax rates (12.5%)	(15,160)	(24,275)
Tax effect of:		
- Expenses non deductible for tax purposes	9,925	(20)
- Write-off of deferred tax assets	4,599	198
Effect of higher tax rates applicable to the Russian and Ukrainian subsidiaries	(10,143)	(12,998)
Utilisation of tax losses	-	5,259
Income tax (benefit)/charge	(320)	1,225
Tax credit	**(11,099)**	**(30,611)**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

12 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 2014	**305,508**	**764,951**	**214,341**	**56,672**	**57,962**	**1,399,434**
Additions	3,805	14,554	18,198	9,610	15,389	61,556
Interest capitalization	-	-	-	-	1,686	1,686
Disposals	(3,917)	(12,299)	(21,524)	(23,181)	(94)	(61,015)
Transfers to assets held for sale (Note 13)	(76)	(54,937)	(230)	-	-	(55,243)
Transfers	707	7,161	11,163	1,133	(20,165)	(1)
Effect of movements in exchange rates	(109,887)	(266,706)	(82,423)	(20,732)	(20,151)	(499,899)
Balance at 31 December 2014	**196,140**	**452,724**	**139,525**	**23,502**	**34,627**	**846,518**
Balance at 1 January 2015	**196,140**	**452,724**	**139,525**	**23,502**	**34,627**	**846,518**
Additions	4,867	15,652	7,370	7,705	28,311	63,905
Interest capitalization	-	-	-	-	276	276
Disposals	(6,151)	(19,811)	(10,101)	(4,425)	(317)	(40,805)
Transfers to assets held for sale (Note 13)	-	(763)	-	-	-	(763)
Transfers	2,623	7,893	6,833	(14)	(12,485)	4,850
Effect of movements in exchange rates	(30,494)	(76,871)	(27,023)	(4,770)	(6,394)	(145,552)
Balance at 31 December 2015	**166,985**	**378,824**	**116,604**	**21,998**	**44,018**	**728,429**
Depreciation and impairment losses						
Balance at 1 January 2014	**(148,331)**	**(531,566)**	**(166,887)**	**(32,462)**	**(1,461)**	**(880,707)**
Depreciation for the year	(12,805)	(43,039)	(18,476)	(10,613)	-	(84,933)
Impairment loss	(40,856)	(28,962)	(740)	-	(8,395)	(78,953)
Disposals	3,844	10,679	20,092	17,261	-	51,876
Transfers to assets held for sale (Note 13)	44	37,829	216	-	-	38,089
Transfers	-	(276)	(73)	-	396	47
Effect of movements in exchange rates	65,389	197,194	61,865	11,689	2,247	338,384
Balance at 31 December 2014	**(132,715)**	**(358,141)**	**(104,003)**	**(14,125)**	**(7,213)**	**(616,197)**
Balance at 1 January 2015	**(132,715)**	**(358,141)**	**(104,003)**	**(14,125)**	**(7,213)**	**(616,197)**
Depreciation for the year	(9,488)	(26,940)	(15,335)	(4,168)	-	(55,931)
Impairment loss	(8)	(20,108)	(1,034)	-	(67)	(21,217)
Disposals	3,470	15,290	10,019	2,110	-	30,889
Transfers	(801)	(2,974)	(126)	(5)	356	(3,550)
Effect of movements in exchange rates	21,955	62,750	20,162	3,313	1,273	109,453
Balance at 31 December 2015	**(117,587)**	**(330,123)**	**(90,317)**	**(12,875)**	**(5,651)**	**(556,553)**
Carrying amounts						
At 1 January 2014	**157,174**	**233,385**	**47,453**	**24,209**	**56,505**	**518,727**
At 31 December 2014	**63,425**	**94,583**	**35,522**	**9,377**	**27,414**	**230,321**
At 31 December 2015	**49,398**	**48,701**	**26,287**	**9,123**	**38,367**	**171,876**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

12 Property, plant and equipment (continued)

Depreciation expense of EUR 36,007 thousand (2014: EUR 62,602 thousand) has been charged to cost of sales, EUR 15,021 thousand (2014: EUR 17,822 thousand) to distribution expenses and EUR 4,903 thousand (2014: EUR 4,508 thousand) to administrative expenses.

Impairment loss

The impairment loss recognized during the year in amount of EUR 21,217 thousand (2014: EUR 76,000 thousand) is caused by overall impairment of Ukraine operating segment (2014: closure of Angarsk and Perm breweries in Russia).

The Group impairment testing methodology is in accordance with IAS 36, in which a fair-value-less-cost-to-sell and value in use approaches are taken into consideration. This includes applying a discounted free cash flow approach based on acquisition valuation models for its major operating segments. Please see Note 14 for valuation details.

The impairment loss is allocated to reduce the carrying amount of the assets of the Ukraine operating segment in the following order:

- first, reduced the carrying amount of any goodwill allocated to the segment;
- then, reduced the carrying amount of the other assets of the segment on the pro rata basis.

In addition to the impairment charge discussed above, The Group have recorded a loss of EUR 1,101 thousand related to other transportation, plant and office equipment which is included in the General and administrative expenses. In 2014, this loss was EUR 2,953 thousand and was split between the Cost of sales and General and administrative expenses.

13 Non-current assets classified as held for sale

In 2015 breweries in Kursk and Novocheboksarsk were sold. The remaining equipment is expected to be sold within twelve months from the reporting date.

Held for sale assets are measured at the lower of their carrying amount and fair value less costs to sell. As a result, the Group reclassified, in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, assets from property, plant and equipment to assets held for sale. The following represents the carrying value at 31 December 2015:

‘000 EUR	**Perm**	**Other**	**Total**
Buildings	21	-	21
Plant and equipment	9,353	181	9,534
Furniture and vehicles	3	-	3
IT equipment	6	67	73
	9,383	**248**	**9,631**

During 2015 proceeds from sale of assets classified as held for sale amounts to EUR 6,902 thousand.

In 2014 management of the Group approved a formal plan of selling of the breweries in Perm within twelve months from the reporting date. Held for sale assets are measured at the lower of their carrying amount and fair value less costs to sell. As a result, the Group reclassified, in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, assets from property, plant and equipment to assets held for sale.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

13 Non-current assets classified as held for sale (continued)

The following represents the carrying value at 31 December 2014:

'000 EUR	**Kursk**	**Novocheboksarsk**	**Perm**	**Total**
Buildings	600	1,936	25	2,561
Plant and equipment	155	3,463	12,765	16,383
Furniture and vehicles	39	14	3	56
IT equipment	21	27	7	55
Other assets	23	31	-	54
	838	**5,471**	**12,800**	**19,109**

During 2014 proceeds from sale of assets classified as held for sale amounts to EUR 110 thousand.

14 Intangible assets

'000 EUR	**Goodwill**	**Software**	**Software under development**	**Other intangibles**	**Brands and trade-marks**	**Total**
Cost						
Balance at 1 January 2014	94,805	35,439	2,067	397	18,078	150,786
Additions	-	262	2,807	156	-	3,225
Disposals	-	-	-	(1)	-	(1)
Transfers	-	769	(798)	0	-	(29)
Effect of movement in exchange rates	(34,426)	(12,757)	(1,263)	(205)	(6,179)	(54,830)
Balance at 31 December 2014	**60,379**	**23,713**	**2,813**	**347**	**11,899**	**99,151**
Balance at 1 January 2015	**60,379**	**23,713**	**2,813**	**347**	**11,899**	**99,151**
Additions	-	110	1,455	-	-	1,565
Disposals	-	(389)	-	-	-	(389)
Transfers	-	1,960	(2,485)	-	-	(525)
Effect of movement in exchange rates	(10,302)	(4,630)	(248)	(97)	(1,695)	(16,972)
Balance at 31 December 2015	**50,077**	**20,764**	**1,535**	**250**	**10,204**	**82,830**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

14 Intangible assets (continued)

'000 EUR	**Goodwill**	**Software**	**Software under development**	**Other intangibles**	**Brands and trade-marks**	**Total**
Amortisation and impairment losses						
Balance at 1 January 2014	-	(29,770)	-	(394)	(8)	(30,172)
Amortisation for the year	-	(2,267)	-	(2)	-	(2,269)
Disposals	-	-	-	1	-	1
Effect of movement in exchange rates	-	11,080	-	176	-	11,256
Balance at 31 December 2014	**-**	**(20,957)**	**-**	**(219)**	**(8)**	**(21,184)**
Balance at 1 January 2015	**-**	**(20,957)**	**-**	**(219)**	**(8)**	**(21,184)**
Amortisation for the year	-	(1,813)	-	(5)	-	(1,818)
Impairment loss	(10,047)	(68)		(90)	(88)	(10,293)
Disposals	-	389	-	-	-	389
Effect of movement in exchange rates	-	4,151	-	64	-	4,215
Balance at 31 December 2015	**(10,047)**	**(18,298)**	**-**	**(250)**	**(96)**	**(28,691)**
Carrying amounts						
At 1 January 2014	**94,805**	**5,669**	**2,067**	**3**	**18,070**	**120,614**
At 31 December 2014	**60,379**	**2,756**	**2,813**	**128**	**11,891**	**77,967**
At 31 December 2015	**40,030**	**2,466**	**1,535**	**-**	**10,108**	**54,139**

(a) Amortisation

Amortisation expense of EUR 1,813 thousand (2014: EUR 2,267 thousand) has been r ecognised as part of general and administrative expenses, EUR 5 thousand (2014: EUR 2 thousand) has been recognised as part of cost of sales.

(b) Impairment testing for cash generating units containing goodwill

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 the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in Note 5.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

14 Intangible assets (continued)

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

'000 EUR	**Goodwill 31.12.2015**	**Impairment 31.12.2015**	**Goodwill 31.12.2014**	**Impairment 31.12.2014**
Russian operating segment	40,030	-	46,681	-
Ukrainian operating segment	-	(10,047)	13,698	-
	40,030	(10,047)	**60,379**	

The Group completed its annual impairment test for goodwill and concluded, based on the assumptions described below, that no impairment charge was warranted for Russian operating segment and goodwill impairment for 10,047 thousand EUR was recognised for Ukrainian operating segment.

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 company ran sensitivity analysis for key assumptions including the weighted average cost of capital and the terminal growth rate for Russia and Ukraine 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 fair values 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 operating segment's carrying amount to materially exceed its recoverable amount. Goodwill impairment testing relies on a number of critical judgments, estimates and assumptions. Goodwill is tested for impairment at the operating segment level (that is one level below the reporting segments). The operating segment level is the lowest level at which goodwill is monitored for internal management purposes. Whenever a business combination occurs, goodwill is allocated as from the acquisition date, to each of the Group's operating segments that are expected to benefit from the synergies of the combination. The Group impairment testing methodology is in accordance with IAS 36, in which a fair-value-less-cost-to-sell and value in use approaches are taken into consideration. This includes applying a discounted free cash flow approach based on acquisition valuation models for its major operating segments and the operating segments showing a high invested capital to EBITDA ratio, and valuation multiples for its other operating segments. The key judgments, estimates and assumptions used in the discounted free cash flow calculations are as follows:

- The Company used Level 3 inputs of fair value hierarchy (due to IFRS 13 – Fair value measurement - classification) as no quoted prices in active markets are available for the identical assets and liabilities.
- The first year of the model is based on management's best estimate of the free cash flow outlook for the current year;
- In the second to fourth years of the model, free cash flows are based on Group's strategic plan as approved by key management. The Group's strategic plan is prepared per country and is based on external sources in respect of macroeconomic assumptions, industry, inflation and foreign exchange rates, past experience and identified initiatives in terms of market share, revenue, variable and fixed cost, capital expenditure and working capital assumptions;
- For the subsequent six years of the model, data from the strategic plan is extrapolated generally using simplified assumptions such as constant volumes and variable cost per hectolitre and fixed cost linked to inflation, as obtained from external sources;

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14 Intangible assets (continued)

- Cash flows after the first ten-year period are extrapolated generally using expected annual long-term consumer price indices ("CPI"), based on external sources, in order to calculate the terminal value, considering sensitivities on this metric.
- Projections are made in the functional currency of each CGU and discounted at the operating segment's weighted average cost of capital which was approximately 13.32% (2014: 15.74%) for Russia and 34.80% (2014: 28.11%) for Ukraine.

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 relevant investment. If the revised estimated post-tax discount rate applied to the discounted cash flows of the Russian business and Ukrainian businesses had been 1% higher than management's estimates, the recoverable amount of the investment would be reduced by EUR 8,401 thousand. If the revised estimated perpetual growth rate applied to the discounted cash flows of the Russian business and Ukrainian businesses had been 1% lower than management's estimates, the recoverable amount of the investment would be decreased by EUR 64,679 thousand.

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.

15 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	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Property, plant and equipment	13,854	16,356	(6,935)	(9,710)	6,919	6,646
Intangible assets	416	408	(2,725)	(3,125)	(2,309)	(2,717)
Inventories	1,166	1,011	(66)	-	1,100	1,011
Employee benefits	2,574	1,143	-	(69)	2,574	1,074
Trade and other receivables	3,285	3,631	(69)	(80)	3 216	3,551
Trade and other payables	8,913	9,411	-	-	8,913	9,411
Tax assets/(liabilities)	30,209	**31,960**	(9,795)	**(12,984)**	20,414	**18,976**
Tax losses carried forward	31,564	30,816	-	-	31,564	30,816
Set off of tax	(9,795)	(12,984)	9,795	12,984	-	-
Net tax assets	**51,978**	**49,792**	**-**	**-**	**51,978**	**49,792**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

15 Deferred tax assets and liabilities (continued)

Movement in deferred taxes during the year

'000 EUR	1 January 2015	Recognised in profit or loss (Note 11)	Recognised in other comprehensive income- foreign exchange differences	31 December 2015
Property, plant and equipment	6,646	1,645	(1,372)	6,919
Intangible assets	(2,717)	26	382	(2,309)
Inventories	1,011	300	(210)	1,100
Employee benefits	1,074	1,975	(476)	2,574
Trade and other receivables	3,551	211	(546)	3,216
Trade and other payables	9,411	1,142	(1,638)	8,914
Tax losses carried forward	30,816	6,929	(6,181)	31,564
	49,792	**12,228**	**(10,041)**	**51,978**

'000 EUR	1 January 2014	Recognised in profit or loss (Note 11)	Recognised in other comprehensive income- foreign exchange differences	31 December 2014
Property, plant and equipment	(3,068)	12,184	(2,470)	6,646
Intangible assets	(3,722)	(374)	1,379	(2,717)
Inventories	855	602	(446)	1,011
Employee benefits	1,819	(116)	(629)	1,074
Trade and other receivables	3,577	1,611	(1,637)	3,551
Trade and other payables	16,223	(1,087)	(5,725)	9,411
Tax losses carried forward	23,603	19,684	(12,471)	30,816
	39,287	**32,504**	**(21,999)**	**49,792**

Deferred income tax assets are recognised for unused tax losses, tax credit and deductible temporary differences, to the extent that management is satisfied that it is probable that future taxable profits will be available against which they can be utilised. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the countries where the deferred tax assets originated and during the periods when the deferred tax assets become deductible. Management assessed that the Group will be able to generate future taxable profits through revenue growth initiatives being currently put in place, as well as amending the terms of related party transaction. Deferred tax assets are expected to be recovered after more than 12 months and within statutory expiration period.

Sensitivity to changes in assumptions:

If the revised estimated EBITDA had been 10% lower than management's estimates, deferred tax assets would not be recoverable in the amount of EUR 15 137 thousand.

The tax loss carry forwards expire as follows:

'000 EUR	2015	2014
Tax loss carry-forwards expiring by the end of:		
- 31 December 2021	7,396	8,625
- 31 December 2022	4,173	4,866
- 31 December 2023	1,749	2,040
- 31 December 2024	7,075	8,251
- 31 December 2025	4,715	-
- not subject to expiration	6,456	7,034
Total tax loss carry forwards	**31,564**	**30,816**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

16 Inventories

'000 EUR	**2015**	**2014**
Raw materials	29,019	32,551
Work in progress	2,847	1,716
Finished goods and goods for resale	11,862	9,803
Other	2,947	4,461
	46,675	**48,531**
Write-down of inventories in the year	(420)	(1,444)

In 2015 raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales amounted to EUR 247,164 thousand (2014: EUR 307,640 thousand). The write-down of inventories to net realizable value and reversal of write-downs are included in cost of sales.

17 Trade and other receivables

'000 EUR	**2015**	**2014**
Trade receivables	29,915	33,775
Non-income taxes receivable	2,877	1,224
Other receivables due from entities under common control	-	10
Other receivables	6,184	3,726
	38,976	**38,735**

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

18 Cash and cash equivalents

'000 EUR	**2015**	**2014**
Bank balances	71,885	148,396
Call deposits	-	19,753
Cash and cash equivalents in the consolidated statement of financial position excluding bank overdrafts used for cash management purposes	**71,885**	**168,149**
Bank overdrafts used for cash management purposes (Note 21)	(9,631)	(19,248)
Cash and cash equivalents in the consolidated statement of financial position and cash flows	**62,254**	**148,901**

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

19 Capital and reserves

(a) Share capital

Number of shares unless otherwise stated	**Ordinary shares (Class B)**		**Preference shares (Class A)**	
	2015	**2014**	**2015**	**2014**
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 a change in the owners of the Company's issued share capital dated 14^{th} December 2015. Number and value of the issued shares have not changed in comparison with prior year.

Please see Report of the Board of Directors (pages 3-6) for details.

19 Capital and reserves (continued)

(a) Share capital (continued)

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

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

The Board of Directors does not recommend the payment of dividend on the basis of the 2015 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.

No dividends were distributed in 2014 by the Company.

20 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.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

20 Loss per share (continued)

2014	**Loss (Numerator) '000 EUR**	**Number of shares (Denominator)**	**Per share-amount EUR**
Basic and diluted EPS			
Attributable to holders of class "A" participating shares	(116,295)	88,832,710	(1.31)
Attributable to holders of class "B" participating shares	(36,390)	27,796,220	(1.31)
Total attributable to participating shares	**(152,685)**	**116,628,930**	**(1.31)**

2015	**Loss (Numerator) '000 EUR**	**Number of shares (Denominator)**	**Per share-amount EUR**
Basic and diluted EPS			
Attributable to holders of class "A" participating shares	(78,321)	88,832,710	(0,88)
Attributable to holders of class "B" participating shares	(24,507)	27,796,220	(0,88)
Total attributable to participating shares	**(102,828)**	**116,628,930**	**(0,88)**

21 Loans and borrowings

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

'000 EUR	**Note**	**2015**	**2014**
Non-current liabilities			
Loan from entity under common control	28 (b)	-	196,957
Current liabilities			
Bank overdraft (Note 18)		9,631	19,248
Current loans from bank		14,987	10,797
Current loans from entities under common control	28 (b)	141,317	151,737
		165,935	**181,782**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

21 Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2015		31 December 2014	
'000 EUR	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Non-current loan from an entity under common control	RUB	8.25%	2018	-	-	196,957	196,957
Bank overdraft	EUR	1.68% -7%	n/a	7,103	7,103	-	-
Bank overdraft	RUB	12.80%	n/a	2,528	2,528	19,248	19,248
Current loans from banks	UAH	15.5% - 21.5%	2016	14,987	14,987	10,797	10,797
Current loans from an entity under common control	USD	Mosprime + 2%	2016	72,775	72,775	146,345	146,345
Current loans from an entity under common control	USD	Libor 3m + 2%	2016	64,297	64,297	-	-
Current interest payable	N/A	N/A	2015	4,245	4,245	5,392	5,392
Total interest-bearing liabilities				**165,935**	**165,935**	**378,739**	**378,739**

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

22 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. The amount is not material for the Group and covers a limited number of employees in Ukraine.

23 Trade and other payables

'000 EUR	**2015**	**2014**
Trade payables	198,751	169,633
Non-income taxes payable	17,461	32,744
Payroll and social security payables	14,277	8,800
Other payables and accrued expenses	12,874	7,589
	243,363	**218,766**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

23 Trade and other payables (continued)

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

24 Financial instruments and risk management

Financial instruments by category

'000 EUR	2015	2014
Loans and receivables		
Loan granted to a related party	-	128,778
Trade and other receivables excluding non-income taxes receivable	36,099	37,511
Cash and cash equivalents	62,254	148,901
	98,353	**315,190**
Available for sale		
Available for sale financial asset investments	89	111
	98,442	**315,301**
Financial liabilities measured at amortized cost		
Trade payables and other payables and accrued expenses	211,625	177,222
Current loans and borrowings	156,304	162,534
Non-current loans and borrowings	-	196,957
	367,929	**536,713**

(a) Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

24 Financial instruments and risk management (continued)

(a) Overview (continued)

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

(b) Credit risk

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

(i) Trade and other receivables

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

There was no significant concentration of credit risk by region or with any single counterparty as at 31 December 2015 (2014: none).

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

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

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

(ii) Loan granted to related party

The Company granted a loan to an entity controlled by the Parent (Note 28(b)). The Group assesses the credit risk relating to this loan as low as the Shareholder Group is an established business and is expected to have sufficient liquidity to repay the loan when due. This loan was fully repaid during 2015.

(iii) Cash and cash equivalents

The Group attempt to minimize our credit exposure to counterparties by entering into agreements with major international financial institutions with "A" or higher credit ratings as issued by Fitch. Although our theoretical credit risk is the replacement cost at the then estimated fair value of the financial instruments at these institutions, the Group believe that the risk of incurring credit risk losses is remote and that such losses, if any, would not be material.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

24 Financial instruments and risk management (continued)

(b) Credit risk (continued)

(iii) Cash and cash equivalents (continued)

The credit quality of cash and cash equivalents balances may be summarized based on Fitch long-term issuer ratings as follows:

	31 December 2015		31 December 2014	
’000 EUR	**Bank balances payable on demand**	**Term deposits**	**Bank balances payable on demand**	**Term deposits**
AAA rated	-	-	641*	-
AA- to AA+ rated	-	-	-	-
A- to A+ rated	60,746	-	128,276	19,753
Lower than A- rated	1,486		-	
Unrated	22	-	231	-
	62,254	**-**	**129,148**	**19,753**

For the following financial institutions 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%

Concentrations of Credit Risk

The Group is potentially subject to concentrations of credit risk on accounts receivable and financial instruments, such as hedging instruments and cash and cash equivalents. Credit risk includes the risk of non-performance by counterparties. The maximum potential loss may exceed the amount recognized on the consolidated statement of financial position. Exposure to credit risk is managed through credit approvals, credit limits, selecting major international financial institutions (as counterparties to hedging transactions) and monitoring procedures. Group’s business often involves large transactions with customers for which the Group does not require collateral. If one or more of those customers were to default in its obligations under applicable contractual arrangements, the Group could be exposed to potentially significant losses. Moreover, a prolonged downturn in the global economy could have an adverse impact on the ability of customers to pay their obligations on a timely basis. The Group believes that the reserves for potential losses are adequate. As of December 31, 2015 and 2014 the Group did not have any significant concentration of credit risk related to financial instruments.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

24 Financial instruments and risk management (continued)

(b) Credit risk (continued)

(iv) Exposure to credit risk

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

	Carrying amount	
'000 EUR	**2015**	**2014**
Available for sale financial asset investments	89	111
Loan granted to related party	-	128,778
Trade and other receivables excluding non-income taxes receivable	36,099	37,511
Cash and cash equivalents	62,254	148,901
	98,353	**315,301**

(v) Impairment losses

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

'000 EUR	**Gross 2015**	**Impairment 2015**	**Gross 2014**	**Impairment 2014**
Not past due	38,882	(554)	36,677	(588)
Past due 0-30 days	640	(2)	2,810	(298)
Past due 31- 59 days	6	(1)	144	(51)
Past due 60 - 89 days	24	(20)	93	(73)
Past due 90 - 179 days	24	(23)	1,748	(1,727)
Past due 180- 359 days	445	(445)	2,486	(2,486)
Past due more than 360 days	5,668	(5 668)	1,570	(1,570)
	45,689	**(6,713)**	**45,528**	**(6,793)**

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

'000 EUR	**2015**	**2014**
Balance at beginning of the year	(6,793)	(4,000)
Increase during the year	80	(5,883)
Decrease due to reversal	-	3,090
Balance at end of the year	**(6,713)**	**(6,793)**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

24 Financial instruments and risk management (continued)

(b) Credit risk (continued)

(v) Impairment losses (continued)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The Group charges an allowance for impairment on the individual basis and in respect of the following amounts: 100% balance receivable for the amounts past due more than 90 days and 50% for the amounts past due from 45 to 90 days adjusted for individually unimpaired amounts, unless the Group is 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.

(c) Liquidity risk

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

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

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

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

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

2015

‘000 EUR	**Carrying amount**	**Contractual cash flows**	**0-12 mths (1)**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities								
Trade payables and other payables and accrued expenses	225,902	225,902	225,902	-	-	-	-	-
Bank overdraft	9,631	9,631	9,631					
Current loans payable (1)	156,304	156,304	156,304	-	-	-	-	-
	391,837	**391,837**	**391,837**	**-**	**-**	**-**	**-**	**-**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

24 Financial instruments and risk management (continued)

(c) Liquidity risk (continued)

2014

'000 EUR	**Carrying amount**	**Contractual cash flows**	**0-12 mths (1)**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities								
Trade payables and other payables and accrued expenses	177,222	177,222	177,222	-	-	-	-	-
Bank overdraft	19,248	19,248	19,248					
Current loans payable (1)	162,534	162,534	162,534	-	-	-	-	-
Non-current loan from related party	196,957	245,704	16,249	16,249	16,249	196,957	-	-
	555,961	**604,708**	**375,253**	**16,249**	**16,249**	**196,957**	**-**	**-**

(1) Current loans payable are payable on demand.

(d) Market risk

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

(i) Currency risk

The Group is exposed to currency risk on loans granted and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Russian Rouble (RUB) and Ukrainian 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, 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.

Exposure to currency risk

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

'000 EUR	**USD-denominated 2015**	**EUR-denominated 2015**	**USD-denominated 2014**	**EUR-denominated 2014**
Trade and other payables	(28,123)	(52,626)	(22,370)	(44,208)
Current loans from related parties	(79,571)	(197)	-	(24)
Current loans granted to related party	-	-	-	128,856
Net exposure	**(107,694)**	**(52,823)**	**(22,370)**	**84,624**

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

24 Financial instruments and risk management (continued)

(d) Market risk (continued)

(i) Currency risk (continued)

The following significant exchange rates applied during the year:

in EUR	**Average rate**		**Reporting date exchange rate**	
	2015	**2014**	**2015**	**2014**
RUB for EUR 1	67.9915	50.9928	79.6972	68.3427
UAH for EUR 1	24.1905	15.6833	26.2231	19.2329

Sensitivity analysis

A strengthening/weakening of the RUB and UAH, as indicated below, against the following currencies at 31 December would have increased (decreased) equity and profit or loss before taxes by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014, albeit that the reasonably possible foreign exchange changes rate variances were different, as indicated below.

'000 EUR	**Strengthening**		**Weakening**	
	Equity	**Profit or loss**	**Equity**	**Profit or loss**
31 December 2015				
USD (+/-30% movement in exchange rate)	33,991	33,991	(33,991)	(33,991)
EUR (+/-30% movement in exchange rate)	17,211	17,211	(17,211)	(17,211)
31 December 2014				
USD (+/-30% movement in exchange rate)	15,239	15,239	(15,239)	(15,239)
EUR (+/-30% movement in exchange rate)	25,387	25,387	(25,387)	(25,387)

(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.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

24 Financial instruments and risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Profile

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

	Carrying amount	
'000 EUR	**2015**	**2014**
Fixed rate instruments	-	
Financial liabilities	-	(196,957)
	-	**(196,957)**
Variable rate instruments		
Financial assets	-	128,778
Financial liabilities	(156,304)	(162,534)
	(156,304)	**(33,756)**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss before taxes by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit or loss		Equity	
'000 EUR	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
2015				
Variable rate instruments	(1,563)	1,563	(1,563)	1,563
Cash flow sensitivity (net)	**(1,563)**	**1,563**	**(1,563)**	**1,563**
2014				
Variable rate instruments	(338)	338	(338)	338
Cash flow sensitivity (net)	**(338)**	**338**	**(338)**	**338**

(e) Accounting classifications and fair values

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

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• Level 3 fair value measurements are those derived from valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

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24 Financial instruments and risk management (continued)

(e) Accounting classifications and fair values (continued)

Fair value hierarchy 2015 **‘000 EUR**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at amortized cost			
Non-current assets classified as held for sale	-	-	
Trade and other receivables excluding non-income taxes receivable	-	36,099	-
Cash and cash equivalents	62,254	-	-
	62,254	**36,099**	-
Financial liabilities measured at amortized cost			
Trade payables and other payables and accrued expenses	-	211,625	-
Current loans and borrowings	-	-	156,304
Non-current loans and borrowings	-	-	
	-	**211,625**	**156,304**

Fair value hierarchy 2014 **‘000 EUR**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at amortized cost			
Non-current assets classified as held for sale	-	-	19,109
Loan granted to related party	-	-	128,778
Trade and other receivables excluding non-income taxes receivable	-	37,511	-
Cash and cash equivalents	148,901	-	-
	148,901	**37,511**	**147,887**
Financial liabilities measured at amortized cost			
Trade payables and other payables and accrued expenses	-	177,222	-
Current loans and borrowings	-	-	162,534
Non-current loans and borrowings	-	-	196,957
	-	**177,222**	**359,491**

Fair values versus carrying amounts

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

(f) Capital management

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

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24 Financial instruments and risk management (continued)

(f) Capital management (continued)

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

'000 EUR	**2015**	**2014**
Total liabilities	(399,980)	(578,580)
Less: cash and cash equivalents	62,254	148,901
Net debt	**(337,726)**	**(429,679)**
Total equity	(43,564)	(172,534)
Debt to capital ratio at 31 December	**7.75**	**2.49**

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

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

Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2015:

'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	38,041	(8,126)	29,915	29,915
Total assets subject to offsetting, master netting and similar arrangement	**38,041**	**(8,126)**	**29,915**	**29,915**
Liabilities				
Trade payables	206,877	(8,126)	198,751	198,751
Total liabilities subject to offsetting, master netting and similar arrangement	**206,877**	**(8,126)**	**198,751**	**198,751**

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

25 Operating leases

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

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

The lease expenditure charged in consolidated statement of comprehensive income is EUR 4,537 thousand (2014: EUR 6,805 thousand).

26 Commitments

At 31 December 2015 the Group had outstanding contractual commitments totalling approximately EUR 7,742 thousand (31 December 2014: EUR 3,667 thousand) to purchase property, plant and equipment. In addition, the Group had commitments to purchase raw and packaging materials worth EUR 12,953 thousand at 31 December 2015 (31 December 2014: EUR 8,754 thousand). All the Groups commitments are current and will be settled within 12 months after reporting date.

27 Contingencies

(a) Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. 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.

(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 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 tax authorities. Russian 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.

The Russian 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).

27 Contingencies (continued)

(b) Taxation contingencies (continued)

Taxation contingencies in the Russian Federation (continued)

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 2014, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). Starting from 2015, CFC income is subject to a 20% tax rate. As a result, management reassessed the Group’s tax positions and recognised deferred taxes for temporary differences that arose from the expected taxable manner of recovery of the relevant Group’s operations to which the CFC legislation will apply to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

Taxation contingencies in Ukraine

The Group also performs its operations in Ukraine and, therefore, within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the Ministry of Finance and other state authorities are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

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

(c) 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.

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

27 Contingencies (continued)

(d) Business environment

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

28 Related party transactions

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

(a) Control relationships

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

(i) Management and directors remuneration

Key management of the Group includes members of its Board of Directors.
Key management received the following remuneration during the year, which is included in personnel costs (see Note 9):

'000 EUR	**2015**	**2014**
Salaries and bonuses	1,096	1,182
Contributions to State pension fund	78	130
Other service benefits	90	173
	1,264	**1,485**

The total remuneration of the Directors (included in key management remuneration above) for 2015 was EUR 166 thousand (2014: EUR 636 thousand).

(b) Transactions with other related parties

The Group has entered into various service agreements with other entities controlled by AB InBev. These services include management support, general technical assistance, provision of loans, publicity, marketing, use of brands and various other services. The amount of the service fees is agreed annually between the parties. During 2015 service expenditures and royalties amounted to EUR 32,745 thousand (2014: EUR 37,324 thousand) under these agreements.

The total interest expense charged by related parties amounted to EUR 36,487 thousand (2014: EUR 34,624 thousand). The total interest income from related parties in 2015 amounted to EUR nil (2014: 322 thousand).

Purchases from other related parties amounted to EUR 40,127 thousand for 2015 (2014: EUR 32,044 thousand).

The total borrowing repaid by the group to related parties amounted to EUR 290,633 thousand for 2015 (2014: EUR 35,299 thousand).

The total received by the group repayments of loans granted from related parties amounted to EUR 128,856 thousand (2014: EUR 21 thousand).

All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated

28 Related party transactions (continued)

(b) Transactions with other related parties (continued)

The outstanding balances with related parties were as follows:

‘000 EUR	**31 December 2015**	**31 December 2014**
Other receivables from entities under common control	4,767	4,928
Accounts payable to entities under common control	(29,937)	(22,484)
Loan granted to an entity under common control	-	128,778
Current loans from entities under common control	(136,995)	(146,345)
Interest payable to entities under common control	(4,322)	(5,392)
Non-current loans from entities under common control	-	(196,957)
	(166,487)	**(237,472)**

(c) Pricing policies

Related party transactions are based on market prices.

29 Significant subsidiaries

		2015	**2014**
Subsidiary	**Country of incorporation/business**	**Ownership/voting**	**Ownership/voting**
Sun Interbrew Finance Ltd	Russian Federation	100%/100%	100%/100%
JSC Sun InBev Russia	Russian Federation	93.55%/93.55%	93.55%/93.55%
PJSC Sun InBev Ukraine	Ukraine	98.34%/98.34%	91.89%/98.34%

30 Events subsequent to the reporting date

The following exchange rates were noted as of 18th of April 2016 and during the period between 1st January 2016 and 18th April 2016:

	Average rate		**Exchange rate as of the date**	
	Period 1 January 2016 until 18 April 2016	**Year ended 31 December 2015**	**18 April 2016**	**31 December 2015**
RUB for EUR	81.5940	67.9915	74.3405	79.6972
UAH for EUR	28.5925	24.1905	28.7460	26.2231

The following events subsequent to the reporting date that will influence the Company’s performance in 2016 were identified.

(a) Russia

According to the Russian tax legislation the excise tax rate was changed starting as of 1st January 2016:

- for beer with alcohol 0,51% - 8,6 % - to 20 RUB/ litre (in 2015 - 18 RUB/ litre);
- for beer with alcohol over 8,61% - to 37 RUB/ litre (in 2015 - 31 RUB/ litre).

The minimum wage rate was increased to 6 204 RUB in 2016 from 5 965 RUB in 2015.

30 Events subsequent to the reporting date (continued)

(b) Ukraine

Parliament approved the state budget, adopted changes to the Tax Code of Ukraine:

- The excise beer duty rate was 100% increased to 2,48 UAH/ litre (in 2015 – 1,24 UAH / litre).
- Monthly advanced CIT payments is eliminated, but quarterly reporting and tax payment terms shall be established for the majority of taxpayers. Reporting period for 2015 is annual tax return
- Personal income tax rate will be 18% for most types of income instead of 15%/20%.
- Unified social contribution (USC) will be paid only by the employer. Employees are relived from paying of this contribution.
- The general USC rate will be only 22% (except for special decreased rates for contributions regarding disabled people, etc.). SIU USC rate was 37,18% in 2015.
- Local authorities will approve the property tax rate, but not higher than 3% of the amount of the minimal wage established by the legislation as of January 1 of the reporting (tax) year per 1 sq. m. of the tax base.

Currency restrictions

On 30 December 2015, the Board of the National Bank of Ukraine ("NBU") has adopted Resolution No. 996 ("Resolution"). The Resolution amends certain rules for registration of loan agreements with non-residents on permanent basis, specifically:

- Cancels temporary ban on registration of amendments to loan agreements with non-residents regarding replacement of creditor/debtor.
- Toughens the requirements for documents submitted to register loan agreements (additional documents would be needed in certain cases).
- Strengthens the control requirements during loan agreements registration procedure, particularly:
  - Mandates that banks thoroughly check risks related to loans from non-residents.
  - Sets out the 30-day term for the NBU to consider additional documents related to loan agreements.
  - Extends the general term for considering registration documents related to loans from non-residents in a bank and the NBU.

As a result, there may be significant uncertainty as to the implementation or interpretation of the new legislation and unclear or non-existent implementing regulations. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and State authorities. Recent events in Ukraine 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 of the Company that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

There were no other material subsequent to the reporting date events, which have a bearing on the understanding of the consolidated financial statements.

31 Going concern basis

These consolidated financial statements have been prepared on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the recent financial crisis and instability in Russia and Ukraine on future operations of the Group.

The principal risks and uncertainties faced by the Group are disclosed in Notes 1, 2, 24 and 27 of the consolidated financial statements. The Group received confirmation of financial support from Anheuser-Busch InBev (the "Parent") that will enable it to continue in operation for at least twelve months from the date of the consolidated financial statements.

Management of the Company has undertaken the following initiatives in 2015 and has planned for 2016 for the purpose of enhancing profitability of the Company's operations and financial position:

- settlement of loan from Ambrew SA in the amount of EUR 193 845 thousand on 23 November 2015, which should reduce interest expense by EUR 14,3 million per year starting from 2016.
- sustainable sales in local currency driven by increase in sales prices (7 % increase in January 2016), introduction of new premium beer brands with planned sales in 2016 – EUR 12 653 thousand, continued shift towards increase of sales of premium beer brands in product mix.

After considering all the uncertainties, initiatives and the Parent's support confirmation the management has a reasonable expectation that the Group will be successful in achieving profitability and meeting its current obligations and for this reason believes it is appropriate to continue to adopt the going concern basis in preparing the annual report and accounts.

Independent Auditor's Report on pages 14 to 16.