

**SUN Interbrew Plc**

**Consolidated Financial Statements  
for the year ended 31 December 2011**

# SUN Interbrew Plc

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## **SUN Interbrew Plc**

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

Tunc Mustafa Cerrahoglu – Director  
Andrii Gubka – Chief Executive Officer  
Nand Khemka – Chairman  
Shiv Khemka – Director  
Khamzat Khasbulatov – Director  
Christopher Lloyd – Director  
Uday Khemka – Director  
Denis Khrenov – Chief Legal Officer  
Anna Gorodilova – Director  
Lyudmila Nakonechnaya – Director  
Oraz Durdyev – Director (appointed on 3 November 2011)  
Matias Tavella – Chief Financial Officer (appointed on 18 April 2011)  
Oleksandr Balakhnov – Director (appointed on 3 November 2011)  
Francisco De Sa Neto (resigned 3 November 2011)  
Patricia Capel (resigned 1 January 2011)  
Elena Vashchuk (appointed 18 April 2011, resigned 3 November 2011)  
Inter Jura CY (Directors) Limited – Director (appointed 18 April 2011)  
Inter Jura CY (Management) Limited – Director (appointed 18 April 2011)

### **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 Article 9 sections (3 (c)) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law 2007 (“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 2011, we confirm that, to the best of our knowledge:

- (a) the annual consolidated financial statements which are presented on pages 13 to 53:
  - (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 Article 9, 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
Tunc Mustafa Cerrahoglu – Director	
Andrii Gubka – Chief Executive Officer	
Nand Khemka - Chairman	
Shiv Khemka – Director	
Khamzat Khasbulatov – Director	
Christopher Lloyd – Director	
Uday Khemka – Director	
Denis Khrenov – Chief Legal Officer	
Anna Gorodilova – Director	
Lyudmila Nakonechnaya – Director	
Oraz Durdyev – Director	
Matias Tavella – Chief Financial Officer	
Oleksandr Balakhnov – Director	
Inter Jura CY (Directors) Limited – Director	
Inter Jura CY (Management) Limited – Director	

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

Name and surname	Position	Signature
Matias Tavella	Chief Financial Officer	

## Report of 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 2011.

### Change of secretary

2 The Company's secretary has been changed during the year ended 31 December 2011. The previous secretary was Dr. K. Chrysostomides and Co LLC – Cyprus with its registered office at 1 Lampousa Street, 1095 Nicosia, Cyprus.

### Principal activities

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

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

4 The loss of the Group for the year ended 31 December 2011 was EUR 56,643 thousand (2010: profit of EUR 13,172 thousand). The primary part of the loss is due to interest expense in the amount of EUR 61,292 thousand for loans and other borrowings. On 31 December 2011 the total assets of the Group were EUR 1,772,264 thousand (2010: EUR 1,753,541 thousand) and the net assets were EUR 612,252 thousand (2010: net assets EUR 661,370 thousand). The financial position, development and performance of the Group as presented in these consolidated financial statements are considered satisfactory.

### Principal risks and uncertainties

5 The principal risks and uncertainties faced by the Group are disclosed in Notes 2, 23 and 26 of the consolidated financial statements.

### Future developments of the Group

6 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.

### Results

7 The Group's results for the year are set out on page 14 of the consolidated financial statements. The loss for the year is carried forward.

### Difference from preliminary results

8 The loss for the year as presented in page 14 of the consolidated financial statements is decreased by EUR 14 thousand.

### Dividends

9 No dividends were recommended by the Board of Directors.

## Report of Board of Directors (Continued)

### Share capital

10 There were no changes in the share capital of the Company during the year. The authorized share capital which amounts to GBP1,552,786 is divided into 125,270,614 class A shares of GBP 0.01 each and 30,000,000 class B shares of GBP 0.01 each.

11 The Company's share ownership is disclosed in the Company's Annual Report available on the Company's website [www.suninterbrew.ru](http://www.suninterbrew.ru).

### Board of Directors

12 The members of the Board of Directors at 31 December 2011 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2011, except Oraz Durdyev, Oleksandr Balakhnov, who were appointed as Directors on 3 November 2011 and Matias Tavella, Inter Jura CY (Directors) Limited and Inter Jura CY (Management) Limited who were appointed on 18 April 2011. Mrs Patricia Capel resigned at 1 January 2011. Mr Francisco de Sa Neto, who held office on 1 January 2011, resigned at 3 November 2011. Mrs Elena Vashchuk was appointed as Director on 18 April 2011 and resigned on 3 November 2011.

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

### Corporate governance

14 The Board of Directors is 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 13 October 2010.

15 The Company is not required to comply with the provisions of corporate governance code of Luxembourg Stock Exchange. The Company has voluntarily applied corporate governance practices, mentioned in the Corporate Governance charter, which is available to public on company's website [www.suninterbrew.ru](http://www.suninterbrew.ru).

### General rules

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

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

18 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.

19 The internal regulations of each committee are laid down hereunder. 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 cast. In case of ballot the Chairman of the committee has a casting vote.

## Report of Board of Directors (Continued)

### General rules (continued)

20 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.

21 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.

22 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.

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

#### (i) Role

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

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

#### (ii) Composition

The Nomination and Remuneration Committee is composed exclusively of 4 non-executive directors of which 2 are independent. The Chairman of the Board or another non-executive director chairs the Nomination and Remuneration Committee.

## Report of Board of Directors (Continued)

### General rules (continued)

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

##### (iii) Working rules

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

#### (b) Regulations for the Audit Committee

##### (i) Role

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

The Audit Committee is composed exclusively of 4 non-executive directors of which 2 are independent. The Chairman of the Board or another non-executive director chairs the Remuneration and Nomination Committee.

##### (iii) Working rules

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.

23 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

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



## Report of Board of Directors (Continued)

### General rules (continued)

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

- The dividends on the Class A shares in any year shall be paid in an amount not less than and in equal priority to the dividend payable to the holders of Class B shares.
- On winding up of the Company, the surplus assets available for distribution shall be distributed proportionately 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.

26 Class B shares have no restrictions on voting rights.

### Competences of the Board

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

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

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

### Functioning of the Board

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

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

### Conflicts of Interest

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

## **Report of Board of Directors (Continued)**

### **Chairmanship**

33 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.

34 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**

35 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**

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

37 The appointment and replacement of the members of the Board of Directors is done by the Company at its Annual General Meeting in accordance with the provisions of the Company's Articles of Association. The Company's Articles of Association provides that the Board of Directors has the power to appoint, at any time, any person as Director and such person that is appointed by the Board of Directors will hold his office until the next Annual General Meeting of the Company.

38 The Company's Articles of Association can be modified by the passing of a Special Resolution at an Extraordinary General Meeting of the shareholders.

### **Senior Management**

39 The Board has delegated the daily management of the Company to the CEO who is assisted by the CFO and the CLO. The performance of the CEO, CFO and CLO is examined and evaluated on a yearly basis by the Board in accordance with the procedures it has established.

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

40 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 Notes to the consolidated financial statements of the Company as disclosed in its Annual Report.

## Report of Board of Directors (Continued)

### Remuneration policy for Board Members and Senior Managers (continued)

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

42 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 success of these performance criteria.

### Contracts with Directors and related parties

43 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 2011 in which the Directors or related parties had a material interest. Related persons include the spouse, minor children and companies in which Directors hold directly or indirectly at least 20% of the voting rights in a general meeting.

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

44 Directors have no material direct or indirect shareholding in the Company's share capital (including their spouse, children and companies in which they hold directly or indirectly at least 20% of the shares with voting rights in a general meeting) both at the year end and 30 days before the notice for the Annual General Meeting or 5 days before the date the financial statements are approved by the board of directors.

### Shareholders holding more than 5% of the Company's share capital

45 On 31 December 2011 and on 27 April 2012 the Company has the following shareholders structure:

#	Name	A	B	Total	%
1	InBev S.A. *	2,859,843	2,765,718	5,625,561	4.8235
	InBev Belgium N.V./S.A. *	0	1	1	0.0001
	Brandbrew S.A. *	0	1	1	0.0001
	Interbrew International B.V. *	0	1	1	0.0001
2	Worldoor Limited *	70,154,537	9,519,598	79,674,135	68.3141
3	Hancock Venture Partners Inc.	30,545	30,545	61,090	0.0524
4	Bank of New York (Nominees) Limited - London	745,284	0	745,284	0.6390
5	Bank of New York (Nominees) Limited - New York	15,042,401	15,480,355	30,522,756	26.1701
		88,832,610	27,796,219	116,628,829	100.0000

\* Companies are related parties to Anheuser-Busch InBev

## Report of Board of Directors (Continued)

### Branches

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

### Events after the balance sheet date

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

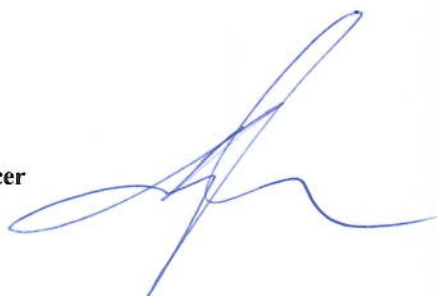
### Independent Auditors

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

### By Order of the Board

Andrii Gubka  
Chief Executive Officer

27 April 2012





# 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 2011, 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 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, 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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PricewaterhouseCoopers Ltd is a member firm of PricewaterhouseCoopers International Ltd, each member firm of which is a separate legal entity. PricewaterhouseCoopers Ltd is a private company registered in Cyprus (Reg No. 143594). A list of the company's directors including for individuals the present name and surname, as well as any previous names and for legal entities the corporate name, is kept by the Secretary of the company at its registered office at 3 Themistocles Dervis Street, 1066 Nicosia and appears on the company's web site. Offices in Nicosia, Limassol, Larnaca and Paphos.



### *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 2011, 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.

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

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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.
- The 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.

Pursuant to the requirements of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms 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 Law of 2009 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.

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

PricewaterhouseCoopers Limited  
Certified Public Accountants and Registered Auditors

Limassol, 27 April 2012

**SUN Interbrew Plc**  
*Consolidated Statement of Financial Position as at 31 December 2011*  
*All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated*

'000 EUR	Note	31 December 2011	31 December 2010
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	686,334	731,191
Intangible assets	13	135,312	139,503
Available for sale financial assets		191	196
Deferred income tax assets	14	22,932	8,144
<b>Total non-current assets</b>		<b>844,769</b>	<b>879,034</b>
<b>Current assets</b>			
Inventories	15	113,090	116,484
Loan granted to related parties	28	693,025	653,893
Current income tax assets		18,833	11,774
Trade and other receivables	16	68,437	53,744
Prepayments		4,684	6,558
Cash and cash equivalents	17	29,426	32,054
<b>Total current assets</b>		<b>927,495</b>	<b>874,507</b>
<b>Total assets</b>		<b>1,772,264</b>	<b>1,753,541</b>
<b>Capital and reserves and liabilities</b>			
<b>Capital and reserves</b>			
	18		
Share capital		1,809	1,809
Share premium		459,105	459,105
Retained earnings		347,378	397,533
Translation reserve		(234,567)	(242,902)
<b>Total capital and reserves attributable to the holders of the Company</b>		<b>573,725</b>	<b>615,545</b>
<b>Non-controlling interests</b>		<b>38,527</b>	<b>45,825</b>
<b>Total capital and reserves</b>		<b>612,252</b>	<b>661,370</b>
<b>Non-current liabilities</b>			
Loans and borrowings	20	786,777	656,688
Employee benefits	21	271	199
Deferred income tax liabilities	14	864	1,904
<b>Total non-current liabilities</b>		<b>787,912</b>	<b>658,791</b>
<b>Current liabilities</b>			
Loans and borrowings	20	15,664	74,566
Trade and other payables	22	353,982	358,814
Current income tax liabilities		2,454	-
<b>Total current liabilities</b>		<b>372,100</b>	<b>433,380</b>
<b>Total liabilities</b>		<b>1,160,012</b>	<b>1,092,171</b>
<b>Total capital and reserves and liabilities</b>		<b>1,772,264</b>	<b>1,753,541</b>

These consolidated financial statements were approved by the Board of Directors on 27 April 2012 and were signed on its behalf by:

Andrii Gubka – Chief Executive Officer

Matias Tavella – Chief Financial Officer

**SUN Interbrew Plc**  
*Consolidated Statement of Comprehensive Income for the year ended 31 December 2011*  
*All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated*

'000 EUR	Note	2011	2010
Revenue	7	1,247,040	1,210,231
Cost of sales		(733,054)	(661,774)
<b>Gross profit</b>		<b>513,986</b>	<b>548,457</b>
Selling, marketing and distribution expenses		(457,576)	(406,602)
General and administrative expenses		(68,484)	(105,561)
Other gains, net	8	650	2,482
<b>Results from operating activities</b>		<b>(11,424)</b>	<b>38,776</b>
Finance income	10	10,883	3,615
Finance costs	10	(65,195)	(16,127)
<b>Net finance costs</b>		<b>(54,312)</b>	<b>(12,512)</b>
<b>(Loss)/profit before income tax</b>		<b>(65,736)</b>	<b>26,264</b>
Income tax credit/(expense)	11	9,093	(13,092)
<b>(Loss)/profit for the year</b>		<b>(56,643)</b>	<b>13,172</b>
<b>Other comprehensive income</b>			
Defined benefit plan actuarial losses	21	(14)	(49)
Foreign currency translation differences		7,539	42,547
<b>Other comprehensive income for the year</b>		<b>7,525</b>	<b>42,498</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(49,118)</b>	<b>55,670</b>
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		(50,141)	14,529
Non-controlling interests		(6,502)	(1,357)
<b>(Loss)/profit for the year</b>		<b>(56,643)</b>	<b>13,172</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(41,820)	54,873
Non-controlling interests		(7,298)	797
<b>Total comprehensive (loss)/income for the year</b>		<b>(49,118)</b>	<b>55,670</b>
<b>(Loss) /earnings per share</b>			
<b>Basic and diluted (loss)/earnings per share (EUR)</b>	19	<b>(0.43)</b>	<b>0.12</b>

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



	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share premium (1, 2)	Retained earnings	Translation reserve	Total		
<b>Balance at 1 January 2010</b>	459,105	400,362	(283,295)	577,981	27,719	605,700
Comprehensive income for the year	-	14,529	-	14,529	(1,357)	13,172
Profit/(loss) for the year	-	-	-	-	-	-
Other comprehensive income/(loss)	-	(49)	-	(49)	-	(49)
Defined benefit plan actuarial losses	-	-	40,393	40,393	2,154	42,547
Foreign currency translation differences	-	-	40,393	40,393	797	55,670
<b>Total comprehensive income for the year</b>	-	14,480	40,393	54,873	-	-
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>	-	-	-	-	-	-
Disposal to non-controlling interest as a result of restructuring, refer to Note 6, and total transactions with owners	-	(17,309)	-	(17,309)	17,309	-
<b>Balance at 31 December 2010</b>	459,105	397,533	(242,902)	615,545	45,825	661,370

	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share premium (1, 2)	Retained earnings	Translation reserve	Total		
<b>Balance at 1 January 2011</b>	459,105	397,533	(242,902)	615,545	45,825	661,370
Comprehensive income/(loss) for the year	-	(50,141)	-	(50,141)	(6,502)	(56,643)
Loss for the year	-	-	-	-	-	-
Other comprehensive income/(loss)	-	(14)	-	(14)	-	(14)
Defined benefit plan actuarial losses	-	-	8,335	8,335	(796)	7,539
Foreign currency translation differences	-	(50,155)	8,335	(41,820)	(7,298)	(49,118)
<b>Total comprehensive (loss)/income for the year</b>	459,105	347,378	(234,567)	573,725	38,527	612,252

(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.

**SUN Interbrew Plc**  
*Consolidated Statement of Cash Flows for the year ended 31 December 2011*  
*All Amounts are Expressed in Thousands of Euros Unless Otherwise Stated*

<b>'000 EUR</b>	<b>Note</b>	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year		<b>(56,643)</b>	<b>13,172</b>
<i>Adjustments for:</i>			
Depreciation and amortisation	12, 13	140,933	144,274
Impairment losses on property, plant and equipment and intangible assets	12, 13	3,706	9,042
Gain on disposal of property, plant and equipment	8	(2,042)	(3,609)
Interest expense, net of interest income	10	51,979	14,217
Unrealized foreign exchange loss/(gain)		3,165	(3,435)
Income tax expense	11	(9,093)	13,092
Other non-cash items		(71)	(393)
<b>Cash from operating activities before changes in working capital and provisions</b>		<b>131,934</b>	<b>186,360</b>
Change in inventories		(247)	(8,574)
Change in prepayments for current assets		1,866	4,630
Change in trade and other receivables		7,432	(1,913)
Change in trade and other payables		(22,934)	89,303
Change in provisions and employee benefits		(4)	(237)
<b>Cash flows from operations before income taxes and interest paid</b>		<b>118,047</b>	<b>269,569</b>
Income tax paid		(11,232)	(28,010)
Interest paid		(63,790)	(19,308)
<b>Net cash from operating activities</b>		<b>43,025</b>	<b>222,251</b>
<b>Cash flows from investing activities</b>			
Loans granted		(40,744)	(653,893)
Proceeds from sale of property, plant and equipment		4,122	4,323
Other intercompany proceeds		180	-
Interest received		9,561	913
Acquisition of property, plant and equipment	12	(107,109)	(79,883)
Acquisition of intangible assets	13	(4,475)	(4,835)
<b>Net cash used in investing activities</b>		<b>(138,465)</b>	<b>(733,375)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		214,477	732,289
Repayment of borrowings		(111,725)	(214,791)
Other financing costs		(3,870)	-
Dividends paid		(452)	-
<b>Net cash from financing activities</b>		<b>98,430</b>	<b>517,498</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,990</b>	<b>6,374</b>
Cash and cash equivalents at beginning of the year		27,801	25,000
Effect of exchange rate fluctuations on cash and cash equivalents		(1,373)	(3,573)
<b>Cash and cash equivalents at end of year</b>	17	<b>29,418</b>	<b>27,801</b>

## **1 Background**

### **(a) Business environment**

#### **Russian business environment**

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

Russian transfer pricing legislation enacted during the current period is effective prospectively to new transactions from 1 January 2012. It introduces significant reporting and documentation requirements. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011 also provides the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying transfer pricing legislation in practice. Any prior existing court decisions may provide guidance, but are not legally binding for decisions by other, or higher level, courts in the future.

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

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period.

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

#### **Ukrainian business environment**

The Group also operates in Ukraine. Ukraine is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Ukraine involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the economy of the Ukraine have further increased the level of economic uncertainty in the environment. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

## **1 Background (continued)**

### **(b) 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 2011 and 31 December 2010, the Company’s ordinary shares (Class B) were effectively 99.89% owned and the preference shares (Class A) effectively 99.97% owned by Anheuser-Busch InBev, which is the Company’s ultimate parent company and ultimate controlling party (the “Parent”). The Company’s immediate parent company is Worldoor Limited (the “Immediate Parent”), a company registered in Cyprus. The Company is listed on the Luxembourg Stock Exchange and has also a global depository receipts program that is listed on the Luxembourg Stock Exchange and admitted to trading on the over-the-counter markets of the Berlin Stock Exchange, Stuttgart Stock Exchange and Frankfurt Stock Exchange.

The Company through a number of holding companies incorporated in Luxembourg, the Netherlands and Cyprus has a controlling interest in 10 breweries and 6 malt plants in the Russian Federation and 3 breweries in Ukraine (referred to collectively as the “Group”). The significant subsidiaries within the Group are listed in Note 29.

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

As at 31 December 2010 the Group was involved in a restructuring process aiming to streamline its group structure during which the 98.34% ownership interest in OJSC SUN InBev Ukraine was effectively transferred by the Company to OJSC SUN InBev Russia, another subsidiary of the Company. This resulted in a decrease in effective ownership interest in OJSC SUN InBev Ukraine as the Company’s ownership interest in OJSC SUN InBev Russia is 88.12% (see note 6).

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

## **2 Basis of preparation**

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

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

The remuneration of the statutory auditors of the Group for the audit services provided to the Group amount to EUR 41 thousand (2010: EUR 50 thousand).

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

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

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

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

## **2 Basis of preparation (continued)**

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

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 IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

Information about 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 23 – allowances for trade receivables

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 13 – goodwill impairment testing assumptions
- Note 26 – contingencies.

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

The Group has not changed its accounting policies during 2011 financial year.

## **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 Group entities.

### **(a) Basis of consolidation**

#### **(i) Subsidiaries**

Subsidiaries are entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### **(ii) Loss of control**

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

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

#### **(a) Basis of consolidation (continued)**

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

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

For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### **(iv) Transactions eliminated on consolidation**

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

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

##### **(i) Foreign currency transactions**

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

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 income.

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

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.

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

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

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

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 bare 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 (ie 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; and
- (c) all resulting exchange differences shall be recognized in other comprehensive income.

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

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

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

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

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

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

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

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

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

Loans and receivables category comprise the following classes of assets: trade and other receivables as presented in note 16, cash and cash equivalents as presented in note 17 and loans to related parties as presented in note 28 (b).

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

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

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

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

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

###### ***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(h)(i)) and foreign currency differences on available-for-sale debt instruments (see note 3(b)(i)), are recognised in other comprehensive 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.

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

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

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

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

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

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

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.

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.



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

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

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

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

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

###### *Ordinary shares*

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

###### *Preference share capital*

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

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

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

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

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

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

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2008, the date of transition to IFRSs, was determined by reference to its carrying amount that would be included in the Parent's consolidated financial statements, based on the Parent's date of transition to IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the Parent acquired the Group.

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.

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

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

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

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 – net.

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

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

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

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

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

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

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

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

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

#### **(e) Intangible assets**

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

Goodwill (negative goodwill) that arises on the acquisition of subsidiaries is included in intangible assets.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

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

#### **(e) Intangible assets (continued)**

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

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

##### **(iii) 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.

##### **(iv) 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.

##### **(v) 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.

#### **(f) 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.

#### **(g) 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.

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

#### **(h) 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 or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

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

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

#### **(h) Impairment (continued)**

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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.

##### **(i) Employee benefits**

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

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

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

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

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

#### **(i) Employee benefits (continued)**

##### **(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.

##### **(j) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### **(k) Revenue**

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

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

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

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

#### **(l) 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.

#### **(m) 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.

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

#### **(m) Finance income and costs (continued)**

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.

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

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

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. Current tax payable also includes any tax liability arising from the declaration of dividends.

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

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

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

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

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

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

#### **(o) Earnings per share**

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

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

#### **(p) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by Anheuser-Busch InBev's CEE Zone President (the "Zone President") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Zone President is considered to be the Chief Operating Decision Maker in accordance with IFRS8.

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.

#### **(q) Financial guarantee contracts**

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

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

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

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2011, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

#### **(i) Not adopted by the European Union**

- Amendments to IAS 19, 'Employee benefits' was amended in June 2011. The impact on the group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The group is yet to assess the full impact of the amendments.
- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.



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

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

##### **(i) Not adopted by the European Union (continued)**

- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.
- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

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

###### **Amendments**

- Amendments to IFRS 7 "Financial Instruments: Disclosures" on derecognition of financial instruments (effective for annual periods beginning on or after 1 July 2011).

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

A number of other amendments to standards are effective for annual periods beginning after 1 January 2011, and have not been listed above because of either their non-applicability to or their immateriality the Group's consolidated financial statements.

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

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

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

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

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

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

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

#### 4 Determination of fair values (continued)

##### (c) Non-derivative financial liabilities

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

#### 5 Operating segments

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

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

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

2011

'000 EUR

	<u>Russia</u>	<u>Ukraine</u>	<u>Total</u>
Segment and external revenue	908,341	338,699	1,247,040
<b>Profit or loss</b>			
Cost of goods sold	(506,794)	(226,260)	(733,054)
Selling, marketing and distribution expenses	(369,143)	(88,433)	(457,576)
General and administrative expenses	(68,620)	136	(68,484)
Operating income, net	(1,313)	1,963	650
Finance income	8,784	2,099	10,883
Finance costs	(64,216)	(979)	(65,195)
<b>Reportable segment (loss)/profit before income tax</b>	<b>(92,961)</b>	<b>27,225</b>	<b>(65,736)</b>
<b>Assets</b>			
Reportable segment assets	1,464,646	311,281	1,775,927
Inter-segment receivables	(753)	(2,910)	(3,663)
	<b>1,463,893</b>	<b>308,371</b>	<b>1,772,264</b>
<b>Liabilities</b>			
Reportable segment liabilities	(1,048,580)	(115,095)	(1,163,675)
Inter-segment payables	2,910	753	3,663
	<b>(1,045,670)</b>	<b>(114,342)</b>	<b>(1,160,012)</b>
<b>Other items</b>			
2011			
'000 EUR			
Interest income	8,298	1,015	9,313
Interest expense	(61,234)	(58)	(61,292)
Capital expenditure	(57,612)	(53,972)	(111,584)
Depreciation and amortisation	(92,754)	(48,179)	(140,933)
Impairment on property, plant and equipment and intangible assets	(1,472)	(2,234)	(3,706)

## 5 Operating segments (continued)

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

2010

'000 EUR

	<u>Russia</u>	<u>Ukraine</u>	<u>Total</u>
Segment and external revenue	886,432	323,799	1,210,231
<b>Profit or loss</b>			
Cost of sales	(468,244)	(193,530)	(661,774)
Selling, marketing and distribution expenses	(329,734)	(76,868)	(406,602)
General and administrative expenses	(87,394)	(18,167)	(105,561)
Operating income, net	(1,731)	4,213	2,482
Finance income	796	2,819	3,615
Finance costs	(14,927)	(1,200)	(16,127)
<b>Reportable segment profit before income tax</b>	<b>(14,802)</b>	<b>41,066</b>	<b>26,264</b>
<b>Assets</b>			
Reportable segment assets	1,474,225	292,485	1,766,710
Inter-segment receivables	(6,109)	(7,060)	(13,169)
	<b>1,468,116</b>	<b>285,425</b>	<b>1,753,541</b>
<b>Liabilities</b>			
Reportable segment liabilities	(988,062)	(117,278)	(1,105,340)
Inter-segment payables	7,060	6,109	13,169
	<b>(981,002)</b>	<b>(111,169)</b>	<b>(1,092,171)</b>

### Other items

2010

'000 EUR

	<u>Russia</u>	<u>Ukraine</u>	<u>Total</u>
Interest income	947	217	1,164
Interest expense	(14,374)	(1,007)	(15,381)
Capital expenditure	43,880	40,838	84,718
Depreciation and amortisation	101,276	42,998	144,274
Impairment on property, plant and equipment and intangible assets	8,067	975	9,042

### (ii) Major customers

In 2011 as well as in 2010 there were no customers which represent more than 10% of the Group's total revenue, or any of the segment's revenue. Russia and Ukraine revenue is predominantly generated from customers within the respective country.

## 6 Disposal to non-controlling interests

In December 2010, as part of the restructuring process described in note 1(b), SUN Interbrew Plc effectively transferred its entire interest in OJSC SUN InBev Ukraine to another subsidiary of SUN Interbrew Plc, OJSC SUN InBev Russia. As a result, the Group's effective ownership in SUN InBev Ukraine decreased from 98.34% to 86.66%.

The carrying amount of OJSC SUN InBev Ukraine's identifiable net assets in the consolidated financial statements on the date of acquisition was EUR 148,158 thousand. The Group recognised an increase in non-controlling interests and a decrease in retained earnings of EUR 17,309 thousand.

**7 Revenue**

'000 EUR	<u>2011</u>	<u>2010</u>
Beer	1,236,821	1,197,537
Soft drinks	10,219	12,694
	<u><b>1,247,040</b></u>	<u><b>1,210,231</b></u>

**8 Other gains, net**

'000 EUR	<u>2011</u>	<u>2010</u>
Gain on disposal of property, plant and equipment	2,042	3,609
Other losses	(1,392)	(1,127)
	<u><b>650</b></u>	<u><b>2,482</b></u>

**9 Personnel costs**

'000 EUR	<u>2011</u>	<u>2010</u>
Wages and salaries	121,704	109,604
Compulsory social security contributions and contributions to State pension fund	33,226	24,241
Other employee benefits	17,862	15,500
	<u><b>172,792</b></u>	<u><b>149,345</b></u>

**10 Finance income and finance costs**

'000 EUR	<u>2011</u>	<u>2010</u>
<b>Recognised in profit or loss</b>		
Interest income on loans and receivables	8,014	248
Interest income on bank deposits	1,299	916
Net foreign exchange gain	1,034	2,366
Other	536	85
<b>Finance income</b>	<u><b>10,883</b></u>	<u><b>3,615</b></u>
Interest expense on financial liabilities measured at amortised cost	(61,292)	(15,381)
Net foreign exchange loss	(3,165)	-
Other	(738)	(746)
<b>Finance costs</b>	<u><b>(65,195)</b></u>	<u><b>(16,127)</b></u>
<b>Net finance costs recognised in profit or loss</b>	<u><b>(54,312)</b></u>	<u><b>(12,512)</b></u>

**11 Income tax expense**

Income taxes are provided for based on taxable income and the varying tax rates applicable in Russia, Ukraine, the Netherlands, Luxembourg, Jersey 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 Company and certain of its subsidiaries, which were registered in Jersey, the Channel Islands until December 2010, had been granted "Exempt Company" status and were exempt from Jersey income taxes. Starting from December 2010, those companies have been registered in Cyprus and became subject to Cypriot tax legislation.

## 11 Income tax expense (continued)

The statutory income tax rate applicable to the Russian companies is 20% (2010: 20%). The statutory income tax rate applicable to the Ukrainian companies is 23% (2010: 25%). With effect from 1 January 2012, the income tax rate for the Ukrainian companies has been reduced to 21%.

The statutory income tax applicable to Cyprus companies is 10%. From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 10%; increased to 15% as from 31 August 2011. In certain cases dividends received from abroad may be subject to defence contribution at the rate of: for dividends received from 31 August 2011 till 1 January 2012 – 17%; for dividends received from 1 January 2012 till 31 December 2013 – 20%.

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

<b>'000 EUR</b>	<b>2011</b>	<b>2010</b>
<b>Current tax expense</b>		
Current year	6,770	12,897
Prior years' taxes	-	3,241
	<b>6,770</b>	<b>16,138</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(16,642)	(4,088)
Change in tax rate	779	1,042
	<b>(15,863)</b>	<b>(3,046)</b>
<b>Total income tax (credit)/expense</b>	<b>(9,093)</b>	<b>13,092</b>

### Reconciliation of effective tax rate:

	<b>2011</b>		<b>2010</b>	
	<b>'000 EUR</b>	<b>%</b>	<b>'000 EUR</b>	<b>%</b>
(Loss)/profit before income tax	(65,736)	(100)	26,264	100
Total income tax credit/(expense)	9,093	14	(13,092)	(50)
(Loss)/profit for the year	<b>(56,643)</b>	<b>(86)</b>	<b>13,172</b>	<b>50</b>
<b>Income tax at applicable tax rate</b>	<b>6,574</b>	<b>10</b>	<b>(2,626)</b>	<b>(10)</b>
Effect of income taxed at higher rates applicable to the Russian and Ukrainian subsidiaries	(790)	(1)	(5,813)	(23)
Reduction in tax rate	(779)	(1)	(1,043)	(4)
Tax concessions for capital investments in Russian operations	-	-	720	3
Non-deductible income/(expenses)	4,088	6	(1,089)	(4)
Under provided in prior years	-	-	(3,241)	(12)
	<b>9,093</b>	<b>14</b>	<b>(13,092)</b>	<b>(50)</b>

## 12 Property, plant and equipment

'000 EUR	Land and buildings	Plant and equipment	Transportation and office equipment	Packaging materials	Under construction	Total
<b>Cost</b>						
<b>Balance at 1 January 2010</b>	<b>304,880</b>	<b>765,137</b>	<b>205,822</b>	<b>48,478</b>	<b>74,797</b>	<b>1,399,114</b>
Additions	289	9,887	23,562	15,815	30,330	79,883
Interest capitalisation	-	-	-	-	14	14
Disposals	(426)	(12,878)	(11,597)	(11,679)	-	(36,580)
Transfers	3,763	10,549	3,521	-	(20,321)	(2,488)
Effect of movements in exchange rates	23,383	58,918	15,995	3,904	5,719	107,919
<b>Balance at 31 December 2010</b>	<b>331,889</b>	<b>831,613</b>	<b>237,303</b>	<b>56,518</b>	<b>90,539</b>	<b>1,547,862</b>
<b>Balance at 1 January 2011</b>	<b>331,889</b>	<b>831,613</b>	<b>237,303</b>	<b>56,518</b>	<b>90,539</b>	<b>1,547,862</b>
Additions	10,153	37,764	24,403	18,625	16,164	107,109
Interest capitalisation	-	387	-	-	43	430
Disposals	(1,729)	(21,890)	(13,738)	(11,337)	(134)	(48,828)
Transfers	8,267	18,498	5,392	-	(33,565)	(1,408)
Effect of movements in exchange rates	(7,505)	(16,362)	(2,913)	1,179	(1,034)	(26,635)
<b>Balance at 31 December 2011</b>	<b>341,075</b>	<b>850,010</b>	<b>250,447</b>	<b>64,985</b>	<b>72,013</b>	<b>1,578,530</b>
<b>Depreciation and impairment losses</b>						
<b>Balance at 1 January 2010</b>	<b>(102,716)</b>	<b>(391,726)</b>	<b>(145,083)</b>	<b>(21,654)</b>	<b>(127)</b>	<b>(661,306)</b>
Depreciation for the year	(19,917)	(74,909)	(31,979)	(12,066)	-	(138,871)
Impairment loss	167	(1,552)	354	(913)	(2,731)	(4,675)
Disposals	376	12,674	11,415	11,401	-	35,866
Effect of movements in exchange rates	9	9	-	-	2,867	2,885
Transfers	(7,848)	(29,961)	(11,207)	(1,545)	(9)	(50,570)
<b>Balance at 31 December 2010</b>	<b>(129,929)</b>	<b>(485,465)</b>	<b>(176,500)</b>	<b>(24,777)</b>	<b>-</b>	<b>(816,671)</b>
<b>Balance at 1 January 2011</b>	<b>(129,929)</b>	<b>(485,465)</b>	<b>(176,500)</b>	<b>(24,777)</b>	<b>-</b>	<b>(816,671)</b>
Depreciation for the year	(20,015)	(72,161)	(27,564)	(16,014)	-	(135,754)
Impairment loss	16	131	(202)	(489)	(3,138)	(3,682)
Disposals	1,711	21,055	13,313	10,669	-	46,748
Transfers	(1,442)	1,329	116	-	1,392	1,395
Effect of movements in exchange rates	3,281	10,430	2,707	(516)	(134)	15,768
<b>Balance at 31 December 2011</b>	<b>(146,378)</b>	<b>(524,681)</b>	<b>(188,130)</b>	<b>(31,127)</b>	<b>(1,880)</b>	<b>(892,196)</b>
<b>Carrying amounts</b>						
<b>At 1 January 2010</b>	<b>202,164</b>	<b>373,411</b>	<b>60,739</b>	<b>26,824</b>	<b>74,670</b>	<b>737,808</b>
<b>At 31 December 2010</b>	<b>201,960</b>	<b>346,148</b>	<b>60,803</b>	<b>31,741</b>	<b>90,539</b>	<b>731,191</b>
<b>At 31 December 2011</b>	<b>194,697</b>	<b>325,329</b>	<b>62,317</b>	<b>33,858</b>	<b>70,133</b>	<b>686,334</b>

## 12 Property, plant and equipment (continued)

Depreciation expense of EUR 101,866 thousand (2010: EUR 99,499 thousand) has been charged to cost of goods sold, EUR 28,484 thousand (2010: EUR 33,396) to distribution expenses and EUR 5,404 thousand (2010: EUR 5,976 thousand) to administrative expenses. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 6% (2010: 11%).

### Impairment loss

The impairment loss recognized during the year in amount of EUR 3,682 thousand (2010: EUR 4,675 thousand) related to obsolete brewing production facilities. EUR 1,841 thousand (2010: EUR 4,512 thousand) of impairment loss was included in cost of sales. The recoverable amount of the assets was their fair value less costs to sell determined by reference to an active market.

## 13 Intangible assets

'000 EUR	Goodwill	Software	Software under develop- ment	Other intangi- bles	Brands and trade- marks	Total
<i>Cost</i>						
<b>Balance at 1 January 2010</b>	<b>96,039</b>	<b>25,815</b>	<b>1,476</b>	<b>478</b>	<b>22,753</b>	<b>146,561</b>
Additions	-	3,877	958	-	-	4,835
Disposals	-	(133)	-	(9)	-	(142)
Transfers	-	131	(258)	(841)	-	(968)
Effect of movement in exchange rates	7,978	1,920	81	1,047	1,733	12,759
<b>Balance at 31 December 2010</b>	<b>104,017</b>	<b>31,610</b>	<b>2,257</b>	<b>675</b>	<b>24,486</b>	<b>163,045</b>
<b>Balance at 1 January 2011</b>	<b>104,017</b>	<b>31,610</b>	<b>2,257</b>	<b>675</b>	<b>24,486</b>	<b>163,045</b>
Additions	-	3,392	1,079	3	1	4,475
Disposals	-	(101)	-	(204)	(4,262)	(4,567)
Transfers	-	1,340	(1,916)	-	-	(576)
Effect of movement in exchange rates	(1,871)	(802)	(58)	10	(707)	(3,428)
<b>Balance at 31 December 2011</b>	<b>102,146</b>	<b>35,439</b>	<b>1,362</b>	<b>484</b>	<b>19,518</b>	<b>158,949</b>
<i>Amortisation and impairment losses</i>						
<b>Balance at 1 January 2010</b>	-	<b>(12,497)</b>	-	<b>(447)</b>	<b>(5)</b>	<b>(12,949)</b>
Amortisation for the year	-	(5,397)	-	(6)	-	(5,403)
Impairment loss	-	-	-	-	(4,367)	(4,367)
Disposals	-	133	-	9	-	142
Transfers	-	15	-	-	-	15
Effect of movement in exchange rates	-	(778)	-	(205)	3	(980)
<b>Balance at 31 December 2010</b>	-	<b>(18,524)</b>	-	<b>(649)</b>	<b>(4,369)</b>	<b>(23,542)</b>
<b>Balance at 1 January 2011</b>	-	<b>(18,524)</b>	-	<b>(649)</b>	<b>(4,369)</b>	<b>(23,542)</b>
Amortisation for the year	-	(5,211)	-	35	(3)	(5,179)
Impairment loss	-	-	-	(24)	-	(24)
Disposals	-	101	-	167	4,299	4,567
Transfers	-	(3)	-	-	-	(3)
Effect of movement in exchange rates	-	494	-	(10)	60	544
<b>Balance at 31 December 2011</b>	-	<b>(23,143)</b>	-	<b>(481)</b>	<b>(13)</b>	<b>(23,637)</b>
<i>Carrying amounts</i>						
<b>At 1 January 2010</b>	<b>96,039</b>	<b>13,318</b>	<b>1,476</b>	<b>31</b>	<b>22,748</b>	<b>133,612</b>
<b>At 31 December 2010</b>	<b>104,017</b>	<b>13,086</b>	<b>2,257</b>	<b>26</b>	<b>20,117</b>	<b>139,503</b>
<b>At 31 December 2011</b>	<b>102,146</b>	<b>12,296</b>	<b>1,362</b>	<b>3</b>	<b>19,505</b>	<b>135,312</b>

## 13 Intangible assets (continued)

### (a) Amortisation and impairment charge

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

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

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

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

'000 EUR	Goodwill 2011	Impairment 2011	Goodwill 2010	Impairment 2010
Russian business unit	76,559	-	79,099	-
Ukrainian business unit	25,587	-	24,918	-
	<b>102,146</b>	<b>-</b>	<b>104,017</b>	<b>-</b>

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

Value in use was determined by discounting the future cash flows generated from the continuing use of the units. Unless indicated otherwise, value in use in 2011 was determined similarly as in 2010.

Key assumptions used in discounted cash flow projections.

- (i) The first year is based on management best estimates of the free cash flow outlook for the current year;
- (ii) In the second to fourth year, free cash flows are based on the Group's strategic plan as approved by the Parent's key management. The Group strategic plan is prepared by country and is based on external sources in respect of macro-economic assumptions, industry, inflation and foreign exchange rates, past experiences and planned initiatives which will impact market share, revenue, variable and fixed costs, capital expenditure and working capital, MACO per hectolitre which is one of the Group's key performance indicators (revenue less production and logistics costs), is calculated based on projected volumes and consumer price increases.
- (iii) For subsequent six years the data from the strategic plan is extrapolated generally using simplified assumptions such as constant volumes and variable cost per hectolitre, and fixed cost linked to inflation, as obtained from external sources.
- (iv) Cash flows after the first ten year period are extrapolated generally using expected annual long-term consumer price indices, based on external sources, in order to calculate the terminal value.
- (v) Projections are made in the functional currency of the business unit and discounted at the unit's weighted average cost of capital and comprised of approximately 14% (2010: 9%) for Russia and 15% (2010: 16%) for Ukraine.

### (c) Sensitivity to changes in assumptions

The impairment test is not particularly sensitive to changes in EBITDA growth rates and discount rates. If there is no EBITDA growth after 2011, the units' values in use will exceed the respective carrying amounts. Similarly, an increase in the discount rate by 5 percentage points will not result in impairment loss for each unit.



## 14 Deferred tax assets and liabilities

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

'000 EUR	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Property, plant and equipment	6,629	2,719	(11,630)	(13,799)	(5,001)	(11,080)
Intangible assets	321	146	(5,157)	(5,574)	(4,836)	(5,428)
Inventories	449	-	-	(281)	449	(281)
Employee benefits	797	50	-	-	797	50
Trade and other receivables	16,228	13,448	(1,108)	(231)	15,120	13,217
Trade and other payables	1,775	8,923	(381)	-	1,394	8,923
<b>Tax assets/(liabilities)</b>	<b>26,199</b>	<b>25,286</b>	<b>(18,276)</b>	<b>(19,885)</b>	<b>7,923</b>	<b>5,401</b>
Tax losses carried forward	14,145	-	-	839	14,145	839
Set off of tax	(17,412)	(17,142)	17,412	17,142	-	-
<b>Net tax assets/(liabilities)</b>	<b>22,932</b>	<b>8,144</b>	<b>(864)</b>	<b>(1,904)</b>	<b>22,068</b>	<b>6,240</b>

### Movement in temporary differences during the year

'000 EUR	1 January 2011	Recognised in profit or loss (Note 11)	Change in tax rate (Note 11)	Recognised in other comprehensive income- foreign exchange differences	31 December 2011
Property, plant and equipment	(11,080)	5,851	(328)	556	(5,001)
Intangible assets	(5,428)	425	(2)	169	(4,836)
Inventories	(281)	730	(26)	26	449
Employee benefits	50	765	(6)	(12)	797
Trade and other receivables	13,217	2,349	(238)	(208)	15,120
Trade and other payables	8,923	(7,061)	(179)	(289)	1,394
Tax losses carried forward	839	13,583	-	(277)	14,145
	<b>6,240</b>	<b>16,642</b>	<b>(779)</b>	<b>(35)</b>	<b>22,068</b>

'000 EUR	1 January 2010	Recognised in profit or loss (Note 11)	Change in tax rate (Note 11)	Recognised in other comprehensive income- foreign exchange differences	31 December 2010
Property, plant and equipment	(18,859)	10,219	(117)	(2,323)	(11,080)
Intangible assets	25	(5,222)	2	(233)	(5,428)
Inventories	965	(1,516)	50	220	(281)
Interest-bearing loans	-	(8)	-	8	-
Employee benefits	-	50	(6)	6	50
Trade and other receivables	7,770	3,860	98	1,489	13,217
Trade and other payables	13,041	(4,134)	(1,069)	1,085	8,923
Tax losses carried forward	-	839	-	-	839
	<b>2,942</b>	<b>4,088</b>	<b>(1,042)</b>	<b>252</b>	<b>6,240</b>

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Losses amounting to EUR 70,726 thousand expire in 2020.

## 15 Inventories

<b>'000 EUR</b>	<b>2011</b>	<b>2010</b>
Raw materials	76,090	69,531
Work in progress	8,345	9,956
Finished goods and goods for resale	19,605	23,473
Other	9,050	13,524
	<b>113,090</b>	<b>116,484</b>
Write-down of inventories in the current year	(1,324)	(2,224)
<b>Reversal of previous write-down of inventories</b>	<b>-</b>	<b>201</b>

In 2011 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to EUR 535,941 thousand (2010: EUR 478,222 thousand). The write-down of inventories to net realisable value and reversal of write-downs are included in cost of sales.

## 16 Trade and other receivables

<b>'000 EUR</b>	<b>2011</b>	<b>2010</b>
Trade receivables	52,317	41,601
Trade receivables due from Parent	6,350	9
Non-income taxes receivable	1,345	5,361
Other receivables due from entities under common control	369	568
Other receivables	8,056	6,205
	<b>68,437</b>	<b>53,744</b>

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 23.

## 17 Cash and cash equivalents

<b>'000 EUR</b>	<b>2011</b>	<b>2010</b>
Bank balances	4,599	10,301
Call deposits	24,827	21,753
<b>Cash and cash equivalents in the statement of financial position excluding bank overdrafts used for cash management purposes</b>	<b>29,426</b>	<b>32,054</b>
Bank overdrafts used for cash management purposes	(8)	(4,253)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>29,418</b>	<b>27,801</b>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.

## 18 Capital and reserves

### (a) Share capital

Number of shares unless otherwise stated	Ordinary shares (Class B)		Preference shares (Class A)	
	2011	2010	2011	2010
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
On issue at 1 January and 31 December, fully paid	27,796,220	27,796,220	88,832,710	88,832,710

#### Ordinary shares

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

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

#### Non-redeemable preference shares

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

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

### (b) Translation reserve

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

### (c) Share premium

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

### (d) Distributable reserves

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

## 19 Earnings per share

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

<b>2011</b>	<b>Loss (Numerator) '000 EUR</b>	<b>Shares (Denominator)</b>	<b>Per share- amount EUR</b>
<i>Basic and diluted EPS</i>			
Attributable to holders of class "A" participating shares	(38,191)	88,832,710	(0.43)
Attributable to holders of class "B" participating shares	(11,950)	27,796,220	(0.43)
<b>Total attributable to participating shares</b>	<b>(50,141)</b>	<b>116,628,930</b>	<b>(0.43)</b>
<b>2010</b>	<b>Profit (Numerator) '000 EUR</b>	<b>Shares (Denominator)</b>	<b>Per share- amount EUR</b>
<i>Basic and diluted EPS</i>			
Attributable to holders of class "A" participating shares	11,066	88,832,710	0.12
Attributable to holders of class "B" participating shares	3,463	27,796,220	0.12
<b>Total attributable to participating shares</b>	<b>14,529</b>	<b>116,628,930</b>	<b>0.12</b>

## 20 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 23.

<b>'000 EUR</b>	<b>Note</b>	<b>2011</b>	<b>2010</b>
<i>Non-current liabilities</i>			
Loan from entity under common control	28 (b)	<b>786,777</b>	<b>656,688</b>
<i>Current liabilities</i>			
Bank overdraft		8	4,253
Current loans from entities under common control	28 (b)	15,656	70,313
		<b>15,664</b>	<b>74,566</b>

## 20 Loans and borrowings (continued)

### (a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 EUR	Cur- rency	Nominal interest rate	Year of maturity	31 December 2011		31 December 2010	
				Face value	Carrying amount	Face value	Carrying amount
Non-current loan from an entity under common control	RUB	8.25%	2018	635,594	635,594	656,688	656,688
Non-current loan from an entity under common control	RUB	Mosprime + 2%	2013	151,183	151,183	-	-
Bank overdraft	RUB	6.15% - 6.80%	n/a	8	8	4,253	4,253
Current loans from an entity under common control	EUR	EURIBOR+ 0.25%	on demand	11,726	11,726	11,562	11,562
Current loans from an entity under common control	RUB	10.50%	2011	-	-	52,066	52,066
Current loans from an entity under common control	EUR	EURIBOR+ 0.25%	2012	-	-	83	83
Current interest payable	N/A	N/A	2012	3,930	3,930	6,602	6,602
<b>Total interest-bearing liabilities</b>				<b>802,441</b>	<b>802,441</b>	<b>731,254</b>	<b>731,254</b>

## 21 Employee benefits

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

## 22 Trade and other payables

'000 EUR	2011	2010
Trade payables	267,715	276,788
Non-income taxes payable	59,916	56,062
Payroll and social security payables	12,551	9,812
Other payables and accrued expenses	13,800	16,152
	<b>353,982</b>	<b>358,814</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

## 23 Financial instruments and risk management

### Financial instruments by category

'000 EUR

	2011	2010
<b>Financial assets measured at amortized cost</b>		
Loan granted to related party	693,025	653,893
Trade and other receivables excluding non-income taxes receivable	67,092	48,383
Cash and cash equivalents	29,426	32,054
	<u>789,543</u>	<u>734,330</u>
<b>Available for sale</b>		
Available for sale financial asset investments	191	196
	<u>789,734</u>	<u>734,526</u>
<b>Financial liabilities measured at amortized cost</b>		
Trade payables and other payables and accrued expenses	281,515	292,940
Current loans and borrowings	15,664	74,566
Non-current loans and borrowings	786,777	656,688
	<u>1,083,956</u>	<u>1,024,194</u>

### (a) Overview

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

- credit risk
- liquidity risk
- market risk

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

### Risk management framework

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

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

The Parent's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Parent's Audit Committee is assisted in its oversight role by Internal Audit. 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.

## 23 Financial instruments and risk management (continued)

### Risk management framework (continued)

#### (b) Credit risk

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

#### (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.

To increase service level to its retail customers, the Group has also actively developed its own direct distribution network. In 2011, the Group launched additional direct distribution centres in two Russian cities (Samara and Saint Petersburg).

There was no significant concentration of credit risk by region or with any single counterparty as at 31 December 2011 (2010: none).

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.

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 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 components of this allowance are a specific loss component that relates to individually significant exposures.

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

As part of the restructuring process described in note 1(b), the Company granted a loan to an entity controlled by the ultimate parent company (note 28(b)). The Group assesses the credit risk relating to this loan as low as the Shareholder Group is an established business and is expected to have sufficient liquidity to repay the loan when due.

#### (iii) Cash and cash equivalents

The Company has established minimum counterparty credit ratings and enters into transactions only with financial institutions of investment grade. The Company monitors counterparty credit exposures closely and reviews any downgrade in credit rating immediately. There was no significant concentration of credit risks with any single counterparty per 31 December 2011.

#### (iv) Exposure to credit risk

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

'000 EUR	Carrying amount	
	2011	2010
Available for sale financial asset investments	191	196
Loan granted to related party	693,025	653,893
Trade and other receivables excluding non-income taxes receivable	67,092	48,383
Cash and cash equivalents	29,426	32,054
	<b>789,734</b>	<b>734,526</b>

The Group's does not issue financial guarantees to third parties.

## 23 Financial instruments and risk management (continued)

### Impairment losses

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

'000 EUR	Gross	Impairment	Gross	Impairment
	2011	2011	2010	2010
Not past due	65,956	(1,103)	49,309	-
Past due 0-30 days	3,385	(159)	3,202	-
Past due 31- 59 days	255	(8)	1,321	(288)
Past due 60 - 89 days	235	(184)	88	(50)
Past due 90 - 179 days	507	(497)	1,204	(1,045)
Past due 180- 359 days	171	(162)	2,884	(2,881)
Past due more than 360 days	6,173	(6,132)	4,402	(4,402)
	<b>76,682</b>	<b>(8,245)</b>	<b>62,410</b>	<b>(8,666)</b>

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

'000 EUR	2011	2010
	Balance at beginning of the year	(8,666)
Decrease due to reversal	421	1,583
<b>Balance at end of the year</b>	<b>(8,245)</b>	<b>(8,666)</b>

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The Group charges an allowance for impairment on the individual basis and in respect of the following amounts: 100% balance receivable for the amounts past due more than 90 days and 50% for the amounts past due from 45 to 90 days adjusted for individually unimpaired amounts, unless the Group is clear that the debt will be collected. The Group may charge 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. The maturity of financial guarantees issued is disclosed in note 23.



## 23 Financial instruments and risk management (continued)

### (e) Liquidity risk (continued)

2011

'000 EUR	Carrying amount	Contractual cash flows	0-12 mths (1)	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
<b>Non-derivative financial liabilities</b>								
Trade payables and other payables and accrued expenses	281,515	281,515	281,515	-	-	-	-	-
Current loans payable	15,664	15,664	15,664	-	-	-	-	-
Non-current loan from related party	786,777	1,172,616	65,467	210,804	52,437	52,437	52,437	739,034
	<b>1,083,956</b>	<b>1,469,795</b>	<b>362,646</b>	<b>210,804</b>	<b>52,437</b>	<b>52,437</b>	<b>52,437</b>	<b>739,034</b>

(1) Current loans payable is payable on demand.

2010

'000 EUR	Carrying amount	Contractual cash flows	0-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
<b>Non-derivative financial liabilities</b>								
Trade payables and other payables and accrued expenses	292,940	292,940	292,940	-	-	-	-	-
Current loans payable	74,566	76,161	76,161	-	-	-	-	-
Non-current loan from related party	656,688	1,088,916	54,177	54,177	54,177	54,177	54,177	818,031
	<b>1,024,194</b>	<b>1,458,017</b>	<b>423,278</b>	<b>54,177</b>	<b>54,177</b>	<b>54,177</b>	<b>54,177</b>	<b>818,031</b>

### (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 sales, purchases, loans granted and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Russian Rouble (RUB) and Ukrainian Hryvna (UAH). The currencies in which these transactions primarily are denominated are EUR and 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.

## 23 Financial instruments and risk management (continued)

### (d) Market risk (continued)

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

##### Exposure to currency risk

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

'000 EUR	USD-	EUR-	USD-	EUR-
	denominated	denominated	denominated	denominated
	2011	2011	2010	2010
Trade and other payables	(13,967)	(55,878)	(13,221)	(92,400)
Current loans from related parties	-	(11,727)	-	(11,645)
Current loans granted to related party	-	693,025	-	653,893
Trade and other receivables	465	7,987	508	6,703
Net exposure	<b>(13,502)</b>	<b>633,407</b>	<b>(12,713)</b>	<b>556,551</b>

The following significant exchange rates applied during the year:

in EUR	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
RUB for EUR 1	40.9038	40.2980	41.6714	40.3331
UAH for EUR 1	11.0926	10.5313	10.2981	10.5731

##### Sensitivity analysis

A strengthening 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 2010, albeit that the reasonably possible foreign exchange changes rate variances were different, as indicated below.

'000 EUR	Strengthening		Weakening	
	Equity	Profit or loss	Equity	Profit or loss
<b>31 December 2011</b>				
USD (+/-10% movement in exchange rate)	1,350	1,350	(1,350)	(1,350)
EUR (+/-10% movement in exchange rate)	63,341	63,341	(63,341)	(63,341)
<b>31 December 2010</b>				
USD (+/-10% movement in exchange rate)	1,271	1,271	(1,271)	(1,271)
EUR (+/-10% movement in exchange rate)	55,655	55,655	(55,655)	(55,655)

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

#### (ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates, as the majority of the Group's loans is drawn from related parties.

## 23 Financial instruments and risk management (continued)

### (d) Market risk (continued)

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

##### Profile

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

'000 EUR	Carrying amount	
	2011	2010
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	(647,156)	(715,356)
	<b>(647,156)</b>	<b>(715,356)</b>
<b>Variable rate instruments</b>		
Financial assets	693,025	653,893
Financial liabilities	(151,347)	(15,898)
	<b>541,678</b>	<b>637,995</b>

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

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

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

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss before taxes by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

'000 EUR	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>2011</b>				
Variable rate instruments	5,417	(5,417)	5,417	(5,417)
<b>Cash flow sensitivity (net)</b>	<b>5,417</b>	<b>(5,417)</b>	<b>5,417</b>	<b>(5,417)</b>
<b>2010</b>				
Variable rate instruments	6,380	(6,380)	6,380	(6,380)
<b>Cash flow sensitivity (net)</b>	<b>6,380</b>	<b>(6,380)</b>	<b>6,380</b>	<b>(6,380)</b>

### (e) Accounting classifications and fair values

#### (i) 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.

## 23 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:

<b>'000 EUR</b>	<b>2011</b>	<b>2010</b>
Total liabilities	(1,160,012)	(1,092,171)
Less: cash and cash equivalents	29,426	32,054
<b>Net debt</b>	<b><u>(1,130,586)</u></b>	<b><u>(1,060,117)</u></b>
Total equity	(612,252)	(661,370)
<b>Debt to capital ratio at 31 December</b>	<b><u>1.8</u></b>	<b><u>1.6</u></b>

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

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

## 24 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.

## 25 Commitments

At 31 December 2011 the Group had outstanding contractual commitments totalling approximately EUR 20,728 thousand (2010: EUR 14,628 thousand ) to purchase property, plant and equipment. In addition, the Group had commitments to purchase raw and packaging materials worth EUR 70,583 thousand at 31 December 2011 (2010: EUR 33,590 thousand ).

## 26 Contingencies

### (a) Insurance

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

## **26 Contingencies (continued)**

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

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

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

See also additional tax information discussed in Note 1.

#### **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.

## **27 Financial guarantees**

On 12 July 2008, the Parent entered into a borrowing facility agreement under which the Group became one of the guarantors. The amount of the Group's guarantee was set at USD 850,000 thousand (EUR 537,220 thousand at the spot rate as at that date). On 6 April 2010, the Parent fully repaid the loans and the Group's guarantee obligations were released. There have been no new guarantees since then.

## 28 Related party transactions

For the purposes of these 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(b). 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):

<b>'000 EUR</b>	<u>2011</u>	<u>2010</u>
Salaries and bonuses	1,030	1,035
Contributions to State pension fund	5	23
Other service benefits	542	523
	<u>1,577</u>	<u>1,581</u>

### (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 2011 service expenditures and royalties amounted to EUR 28,014 thousand (2010: EUR 66,554 thousand) under these agreements.

The total interest expense charged by related parties amounted to EUR 61,054 thousand (2010: EUR 14,569 thousand). Interest income charged by related parties amounted to EUR 8,015 thousand (2010: EUR 248 thousand).

Purchases from other related parties amounted to EUR 11,538 thousand for 2011 (2010: EUR 4,385 thousand).

In 2011, the Company repaid EUR 21,094 thousand of non-current loans and was granted new loan facility of EUR 151,183 thousand from the entity under common control. Part of the current loan that had been unpaid by the end of 2010 was still unpaid, but subsequently netted with the loan receivable from the same entity. Current loan of EUR 58,668 thousand was repaid during the year.

In 2010, the Company received two long-term interest-bearing loans from the entities under common control in the amount of RUB 26,486,263 thousand (EUR 656,688 thousand) and EUR 133,875 thousand. The loan in EUR was almost entirely repaid during 2010. The remaining balance of the loan at 31 December 2010 amounted to EUR 11,562 thousand. In addition, the Company revised the terms of the loan, which became payable on demand.

Also, in 2010 the Company granted a short-term unsecured loan to an entity under common control in the amount of EUR 653,893 thousand which bears interest at the rate of 6 months EURIBOR on a 360-day year basis. The balance of this loan as at 31 December 2011 was EUR 661,862 thousand and the related interest income was EUR 7,927 thousand.

## 28 Related party transactions (continued)

The outstanding balances with related parties were as follows:

<b>'000 EUR</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Accounts receivable from the Parent	6,350	9
Other receivable from entities under common control	369	568
Prepayments from entities under common control	3,667	3,477
Accounts payable to the Parent	(2,998)	(52,085)
Accounts payable to the entities under common control	(25,353)	(5,624)
Loan granted to an entity under common control	693,025	653,893
Current loans from entities under common control	(11,726)	(63,628)
Interest payable to entities under common control	(3,930)	(6,602)
Non-current loans from entities under common control	(786,777)	(656,688)
	<b>(127,373)</b>	<b>(126,680)</b>

### (c) Pricing policies

Related party transactions are based on market prices.

## 29 Significant subsidiaries

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>2011 Ownership/voting</u>	<u>2010 Ownership/voting</u>
Sun Interbrew Finance Ltd	Russian Federation	100%/100%	100%/100%
OJSC Sun InBev Russia	Russian Federation	88.12%/88.12%	88.12%/88.12%
OJSC Sun InBev Ukraine	Ukraine	86.66%/98.34%	86.66%/98.34%

## 30 Events subsequent to the reporting date

Effective from 1 January 2012, the excise duty on beer in Russia has been increased by 2 Russian Rouble, from 10 to 12 Russian Roubles per hectolitre. Management is unable to assess the financial effect of the increase.

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

**Independent Auditor's Report on pages 11 to 12.**