SUN Interbrew Plc

Annual Report
and Financial Statements
for the year ended 31 December 2016

SUN INTERBREW PLC

CONTENTS

SUN INTERBREW PLC

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Nand Lal Khemka - Director (Chairman of the Board)
Denis Khrenov - Director and Chief Executive Officer ("CEO")
Alexander Balakhnov - Director and Chief Legal Officer and member of the Audit Committee and Nominations and Remuneration Committee ("CLO")
Olesia Sheppard - Director and Chief Financial Officer ("CFO")
Shiv Vikram Khemka - Director
Uday Harsh Khemka - Director
Timur Miretskyy - Director (Resigned on 24 February 2017)
Dmytro Shpakov - Director
Inter Jura CY (Directors) Limited – Director and member of the Audit Committee and Nomination and Remuneration Committee
Inter Jura CY (Management) Limited - Director
Anatolii Drozda – Director (Appointed on 24 February 2017)

Company Secretary

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

Registered office

1 Lampousa Street
CY-1095 Nicosia
Cyprus

Registration number: HE277915

SUN INTERBREW PLC

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

In accordance with Section 9 sub-sections (3 (c)) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law 2007 as amended ("the Law") we, the members of the Board of Directors and the other responsible persons for the financial statements of SUN Interbrew Plc (the "Company") for the year ended 31 December 2016, we confirm that, to the best of our knowledge:

(a) the annual financial statements of the Company which are presented on pages 17 to 41:
   (i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and in accordance with the provisions of Section 9, Sub-section (4) of the Law, and
   (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of SUN Interbrew Plc and

(b) the 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 together with a description of the main risks and uncertainties that its facing.

Members of the Board of Directors

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

MANAGEMENT REPORT

1 The Board of Directors presents its report together with the audited parent company financial statements of the Company for the year ended 31 December 2016.

Principal activities

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

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

3 The loss of the Company for the year ended 31 December 2016 was € 172,705,002 (2015: loss € 232,304,618) mainly resulted from the impairment loss recognised in relation to investments in subsidiaries. On 31 December 2016 the total assets of the Company were € 445,803,374 (2015: € 618,691,718) and the net assets were € 371,310,605 (2015: net assets € 547,015,607). The financial position, development and performance of the Company as presented in these financial statements are as expected given the market conditions in Ukraine and Russia (note 18).

Principal risks and uncertainties

4 The principal risks and uncertainties faced by the Company are disclosed in Notes 2, 17 and 18 of the financial statements.

Future developments of the Company

5 The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

Results and dividends

6 The Company's results for the year are set out on page 18. The loss for the year is carried forward. The Board of Directors does not recommend the payment of dividend on the basis of the 2016 results. The Board of Directors may at a later stage consider the payment of interim dividends out of retained earnings, in accordance with the relevant provisions of the Cyprus Companies Law and the Articles of Association of the Company.

Share capital

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

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

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

Share capital (continued)

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

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

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

11 Class B shares have no restrictions on voting rights.

12 There wasn't a change in shareholders' structure in 2016.

As of 31 December 2016 the Company, which is beneficially owned by Anheuser-Busch InBev, had the following shareholders' structure:

#	Name	A	B	Total	%
1	Anheuser-Busch InBev N.V.	1	-	1	0.0000
2	InBev Belgium N.V.	1	-	1	0.0000
3	Brandbrew S.A.	1	-	1	0.0000
4	Interbrew International B.V.	-	1	1	0.0000
5	Worldoor Limited	73,014,377	12,285,318	85,299,695	73.1377
6	Hancock Venture Partners Inc.	30,545	30,545	61,090	0.0524
7	Bank of New York (Nominees) Limited - London	745,384	-	745,384	0.6391
8	Bank of New York (Nominees) Limited - New York	15,042,401	15,480,356	30,522,757	26.1708
		88,832,710	27,796,220	116,628,930	100.0000

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

The shareholders' structure as of 31 December 2015 was as follows:

#	Name	A	B	Total	%
1	Interbrew International B.V.	-	1	1	0.0000
2	Worldoor Limited	73,014,380	12,285,318	85,299,698	73.1377
3	Hancock Venture Partners Inc.	30,545	30,545	61,090	0.0524
4	Bank of New York (Nominees) Limited - London	745,384	-	745,384	0.6391
5	Bank of New York (Nominees) Limited - New York	15,042,401	15,480,356	30,522,757	26.1708
		88,832,710	27,796,220	116,628,930	100.0000

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

Board of Directors

14 The members of the Board of Directors at 31 December 2016 and at the date of this report are shown on page 1. It was resolved to acknowledge the resignation of Mr Timur Miretskyy and to approve the appointment of Mr Anatolii Drozda to the post of Director of the Company effective as of 24th of February 2017. All the other Directors were members of the Board throughout the year. There were no other significant changes in the composition, distribution of responsibilities or compensation of the Board of Directors.

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

Directors' interests in the Company's share capital

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

Events subsequent to the reporting date

17 Other than as disclosed in Note 18 and 22 to financial statements, there were no material events subsequent to the reporting date, which have a bearing on the understanding of the financial statements.

Branches

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

Independent Auditors

19 During the year the Board of Directors resolved the change of independent auditors of the Group PricewaterhouseCoopers Limited to Deloitte Limited. The decision to change the independent auditors was taken across the whole group of Anheuser-Busch Inbev, which is the Company's ultimate parent company and ultimate controlling party.

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

Statement on Corporate governance pursuant Section 151 (2) of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007, as amended (the "Transparency Law").

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

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

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

Paragraphs 2a (iv) of Section 151 (2) of the Companies Law

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

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

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

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

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

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

Statement on Corporate governance pursuant Section 151 (2) of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007, as amended (the "Transparency Law").

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

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

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

Competences of the Board

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

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

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

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

Functioning of the Board

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

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

Conflicts of Interest

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

Chairmanship

35 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.

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

Statement on Corporate governance pursuant Section 151 (2) of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007, as amended (the "Transparency Law").

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

Existence and nature of the internal control and risk management system

37 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

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

Senior Management

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

Remuneration policy for Board Members and Senior Managers

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 Note 19 to the financial statements.

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 achievement of these performance criteria. The remuneration of the Board of Directors and the key management is disclosed in Note 19 to the financial statements.

Contracts with Directors and related parties

43 Other than the transactions and the balances with related parties referred to in Note 19 of the financial statements, there were no other significant contracts with the Company at 31 December 2016 in which the Directors or their related persons had a material interest. Related parties include the spouse, minor children and companies in which Directors hold directly or indirectly at least 20% of the voting rights in a general meeting.

Statement on Corporate governance pursuant Section 151 (2) of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007, as amended (the "Transparency Law").

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

Delegation of Director's powers to committees

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

45 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").

46 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.

47 The composition and operation of the Board of Directors, is stated in pg. 1 of this Report, and above in paragraphs 28 to 46.

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

General rules regarding both committees

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

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

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

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

Statement on Corporate governance pursuant Section 151 (2) of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007, as amended (the "Transparency Law").

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

Regulations for the Nomination and Remuneration Committee

(i) Role

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

- submit proposals to the Board regarding the appointment and remuneration of directors and Senior Management and ensure that its proposals are in accordance with the remuneration policy adopted by the Company;

- discuss with the CEO the performance of the other members of Senior Management at least once a year based on evaluation criteria clearly defined. The CEO should not be present at the discussion of his own evaluation;

- ensure that the remuneration of non-executive directors is proportional to their responsibilities and the time devoted to their functions;

- assisting the Board in the selection of directors. It considers all proposals submitted by the shareholders, the Board or the Senior Management recommending suitable candidates to the Board and assisting the Board in making for every position to be filled an evaluation of the existing and required skills, knowledge and experience required for the position. On the basis of this evaluation the Nomination and Remuneration Committee will assist the Board in drawing up a description of the role together with the skills, knowledge and experience required.

(ii) Composition

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

(iii) Working rules

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

Statement on Corporate governance pursuant Section 151 (2) of the Cyprus Companies Law, Cap.113. regarding the contents of the Annual Financial Report (the "Companies Law") and of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007, as amended (the "Transparency Law").

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

Regulations for the Audit Committee

(i) Role

56 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

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

(iii) Working rules

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

By Order of the Board

Denis Khrenov
Chief Executive Officer

26 April 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of SUN Interbrew Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of parent company SUN Interbrew Plc (the "Company"), which are presented in pages 17 to 41 and comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the incremental requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 18 to the financial statements which indicates that the operations of the Company's significant subsidiary in Ukraine have been affected and may continue to be affected for the foreseeable future by the continuing uncertainties in Ukraine. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Impairment assessment of investments in subsidiaries At 31 December 2016 the Company held investments in subsidiaries of EUR 427,571 thousand. Impairment charges have been recognised in prior periods, and with continued challenging economic conditions in the Russian Federation and Ukraine, where the Company's major subsidiaries operate, there is a risk that the investments may be impaired. Procedures over management's annual impairment test were significant to our audit because the assessment process is complex and the test relies on estimates and assumptions. The details on assumptions used to estimate the recoverable amount of the Company's investments in subsidiaries are disclosed in Note 2 to the accompanying financial statements.	Audit work performed on management's impairment analysis with the assistance of our internal valuation specialists included: • determining whether the input data used in the impairment model are in line with the approved budgets and forecasts; • assessing the reasonableness of the assumptions which are used in the management's forecasts with reference to recent performance, market conditions and historical trend analysis; • testing the integrity and the accuracy of the underlying model to assess whether the processes are applied to the correct input data; • assessing reasonableness of the impairment model; and • assessing the appropriateness of the sensitivities applied by management to the impairment testing model and whether the scenarios reflect reasonably possible changes in key assumptions. We also assessed adequacy of the disclosures made by the Company in its financial statements in relation to investments in subsidiaries and their annual impairment test.
Going concern The Company has a recent history of substantial operating losses. This raises a concern as to whether a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern. Given going concern requires a significant degree of judgment on behalf of management this has been identified as a key audit matter in our audit. Refer to Note 22 in the accompanying financial statements for the going concern basis disclosures made by the Company.	Our audit procedures included evaluation of the management's going concern assessment as well the Company's liquidity position and availability of additional sources of finance for the period of assessment and included, among others, the following: • reviewing the four-year approved budget and cash flow forecasts of the Company's significant subsidiaries and challenging the management's plan to return to operational profitability; • reviewing the support letter provided by the Company's ultimate parent, Anheuser Busch InBev, to ensure existence of commitment for financial support to be provided to the Company in the foreseeable future on an as-needed basis; • assessing ability of the Group's ultimate parent to provide financial support to the Group in the foreseeable future; • evaluating adequacy of the disclosures provided in the financial statements in relation to going concern assessment.

Other Information

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

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

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

Responsibilities of the Board of Directors for the Financial Statements

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

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

The Board of Directors is responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period, which constitute the key audit matters included herein. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The 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 financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the financial statements.

- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

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 Accounts Laws of 2009 to 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

Comparative Figures

The financial statements of the Company for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 April 2016.

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

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

Deloitte Limited
Certified Public Accountants and Registered Auditors

Nicosia, 26 April 2017

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

Expressed in EUR	Note	2016	2015
ASSETS			
Non-current assets			
Investments in subsidiaries	10	427,570,943	602,309,355
Total non-current assets		**427,570,943**	**602,309,355**
Current assets			
Other receivables	12	29,815	49,815
Current tax assets		144,634	144,314
Cash and cash equivalents	13	18,057,982	16,188,234
Total current assets		**18,232,431**	**16,382,363**
Total assets		**445,803,374**	**618,691,718**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	1,808,651	1,808,651
Share premium	14	357,932,250	357,932,250
Retained earnings		11,569,704	187,274,706
Total equity		**371,310,605**	**547,015,607**
Non-current liabilities			
Long-term loans and borrowings	16	67,145,906	-
Total non-current liabilities		**67,145,906**	**-**
Current liabilities			
Loans and borrowings	16	7,255,002	71,613,426
Trade and other payables	15	91,861	62,685
Total current liabilities		**7,346,863**	**71,676,111**
Total liabilities		**74,492,769**	**71,676,111**
Total equity and liabilities		**445,803,374**	**618,691,718**

On 26 April 2017 the Board of Directors of SUN Interbrew Plc authorized these financial statements for issue.

Olesia Sheppard Director and Chief Financial Officer	Denis Khrenov, Director and Chief Executive Officer

The notes on pages 21 to 41 are an integral part of these financial statements.

SUN INTERBREW PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

Expressed in EUR	**Note**	**2016**	**2015**
Dividend income		-	-
Impairment losses	5	(174,738,412)	(235,702,131)
Administrative expenses	6	(145,035)	(82,194)
Loss from operating activities		**(174,883,447)**	**(235,784,325)**
Finance income	8	3,216,607	4,685,676
Finance (cost)	8	(4,035,162)	(1,205,969)
Loss before tax		**(175,702,002)**	**(232,304,618)**
Income tax expense	9	(3,000)	-
Loss and total comprehensive loss for the year		**(175,705,002)**	**(232,304,618)**
Losses per share			
Basic and diluted losses per share (EUR)	11	(1.507)	(1.992)
Weighted average number of shares		116,628,930	116,628,930

The notes on pages 21 to 41 are an integral part of these financial statements.

SUN INTERBREW PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

Expressed in EUR	Share capital	Share premium [1]	Retained earnings [2]	Total
Balance at 1 January 2015	**1,808,651**	**357,932,250**	**419,579,324**	**779,320,225**
Comprehensive income				
Loss for the year and total comprehensive loss for 2015	-	-	(232,304,618)	(232,304,618)
Balance at 31 December 2015	**1,808,651**	**357,932,250**	**187,274,706**	**547,015,607**
Loss for the year and total comprehensive loss for 2016	-	-	(175,705,002)	(175,705,002)
Balance at 31 December 2016	**1,808,651**	**357,932,250**	**11,569,704**	**371,310,605**

(1) Share premium is not available for distribution in the form of dividend.

(2) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

The notes on pages 21 to 41 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

Expressed in EUR	Note	2016	2015
Cash flows from operating activities			
Loss for the year		(175,705,002)	(232,304,618)
Adjustments for:			
Impairment of investment in subsidiaries	5, 10	174,738,412	235,702,131
Interest income	8	(907,754)	(18,811)
Interest expense	8	1,878,592	447,169
Income tax expense	9	3,000	-
Cash from operating activities before changes in working capital		**7,248**	**3,825,871**
Change in other receivables		20,000	(30,000)
Change in trade and other payables		29,176	(41,544)
Net cash from operating activities before income taxes paid		**56,424**	**3,754,327**
Income tax paid		(3,320)	(1,500)
Net cash from operating activities		**53,104**	**3,752,827**
Cash flows from investing activities			
Additions/contributions to investments in subsidiaries	10	-	(276,678,583)
Loan repayments received from related parties	19 (c)	-	128,855,567
Interest received		907,754	18,811
Net cash from/(used in) investing activities		**907,754**	**(147,804,205)**
Cash flows from financing activities			
Interest paid		(1,944,701)	(259,982)
Proceeds from loans from related parties	19 (d)	3,452,535	63,538,300
Net cash from financing activities		**1,507,834**	**63,278,318**
Net increase /(decrease) in cash and cash equivalents and bank overdrafts		**2,468,692**	**(80,773,060)**
Cash and cash equivalents and bank overdrafts at beginning of year		9,057,692	89,073,356
Effect of exchange rate fluctuations on cash and cash equivalents and bank overdrafts		(723,404)	757,396
Cash and cash equivalents and bank overdrafts at end of year	13	**10,802,980**	**9,057,692**

The notes on pages 21 to 41 are an integral part of these financial statements.

1. GENERAL INFORMATION

Country of incorporation

SUN Interbrew Plc (the "Company") is domiciled in Cyprus since 1 December 2010 and was registered as a public limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The Company's registered office is 1 Lampousa Street, 1095 Nicosia, Cyprus. Before 1 December 2010 the Company, was registered under the name "SUN Interbrew Limited" and, was incorporated in Jersey, the Channel Islands. The Company and its subsidiaries are collectively referred as the "Group". The Group is headed by Anheuser-Busch Inbev (the "Shareholder Group").

Principal activities

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

The Business Environment which affects the Company is disclosed in Note 18.

2. BASIS OF PREPARATION

Statement of compliance

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

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

These financial statements are prepared for the year ending 31 December 2016 as separate financial statements. The Company has prepared these separate financial statements to comply with the Cyprus Transparency Requirements (securities for Trading on Regulated Markets) of 2007 as amended (the "Law") and the Cyprus Income Tax Laws and Regulations.

Users of these separate financial statements should read them together with the Group's consolidated financial statements as at end of the year ended 31 December 2016, in order to obtain full information on the financial position, financial performance and cash flows of the Group as a whole.

In the financial statements, subsidiary undertakings, which are those companies over which the Company has control, meaning has power over the subsidiary, exposure or rights to variable returns from its involvement with the subsidiary and the ability to use its power over the subsidiary to affect the amount of its returns, have been fully consolidated. Consolidated financial statements as required by IFRS 10 "Consolidated Financial Statements" have been prepared and are available from the registered office of the Company at 1 Lampousa Street, 1095, Nicosia, Cyprus.

2. BASIS OF PREPARATION (CONTINUED)

Basis of measurement

The financial statements are prepared on the historical cost basis.

Functional and presentation currency

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

Use of estimates and judgments

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in Note 18 (Business environment) of the financial statements.

Critical judgements in applying accounting policies

Initial recognition of related party transactions

In the normal course of business the Company enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses.

Impairment of investments in subsidiaries

The Company follows the guidance of IAS 36 in determining when an investment is impaired. This determination requires significant judgement. In making this judgment, the Company determines whether the recoverable amount of an investment is less than its carrying amount. The recoverable amount of the investment is based on value in use.

The Company carried out a test of the estimated recoverable amount of the investments in subsidiaries, where indications for impairment were present, and compared to its carrying value and an impairment charge was deemed necessary for the year ended 31 December 2016 of EUR 174,738,412 (2015: EUR 235,702,131).

Key assumptions used in discounted cash flow projections

In relation to the investment in SUN InBev Russia and Interbrew YNTR Holding the following assumptions were made:

(i) The first year is based on management best estimates of the free cash flow outlook for the next year;
(ii) In the second to fourth year, free cash flows are based on the strategic plan as approved by the Shareholder Group. The strategic plan is prepared by country and is based on external sources in respect of macro-economic assumptions, industry, inflation and foreign exchange rates, past experiences and planned initiatives which will impact market share, revenue, variable and fixed costs, capital expenditure and working capital assumptions. Sales growth in the period 2017 to 2020 is based on volume and price forecasts and is expected by the Group at the level from 5.36% till 11.42% for Russia and from 2.15% till 6.59% for Ukraine; EBITDA growth is expected to exceed the sales growth which should result in EBITDA margin improvement from approximately 13.6% in 2017 up to 20.13% in 2020 for Russia and from 7.26% in 2017 up to 8.16% in 2020 for Ukraine.

2. BASIS OF PREPARATION (CONTINUED)

Key assumptions used in discounted cash flow projections (continued)

(iii) For the subsequent six years of the model, data from the strategic plan is extrapolated generally using simplified assumptions such as constant volumes and variable cost per hectoliter and fixed cost linked and price growth linked to local consumer price indices ("CPI"), as obtained from external sources; the CPI level used in the model was 3% for Russia; the growth for Ukraine subsequent to 2020 was assumed at zero level
(iv) Cash flows after the first ten-year period are extrapolated generally using expected annual long term CPI, based on external sources, in order to calculate the terminal value, considering sensitivities on this metric.
(v) Projections are made in the functional currency of each business unit and discounted at the unit's weighted average cost of capital and comprised of approximately 13,07% (2015: 13,32%) for Russia and 32,58% (2015: 34,80%) for Ukraine.

Sensitivity to changes in assumptions:

The impairment test is sensitive to changes in EBITDA growth rates and discount rates. The discount rates used are post-tax, and reflect specific risks relating to the relevant investment. If the revised estimated post-tax discount rate applied to the discounted cash flows of the Russian business and Ukrainian businesses had been 1% higher than management's estimates, the recoverable amount of the investment would be decreased by EUR 64,097 thousand. If the revised estimated perpetual growth rate applied to the discounted cash flows of the Russian business and Ukrainian businesses had been 1% lower than management's estimates, the recoverable amount of the investment would be decreased by EUR 39,247 thousand.

3. ACCOUNTING POLICIES

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

Revenue recognition

(a) Dividend income

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

(b) Finance income

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

Foreign currency translation

Foreign currency transactions and balances

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

3. ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (continued)

Foreign currency transactions and balances (continued)

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

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

Financial instruments

Non -derivative financial assets

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

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

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company has the following non-derivative financial assets: cash and cash equivalents, loans receivable and trade and other receivables.

Cash and cash equivalents

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

Loans and receivables

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

Trade payables

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

3. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liability

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

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

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 of share capital

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 as a deduction from total equity. 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 transferred to/from retained earnings.

Impairment

Financial assets

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Impairment (continued)

Financial assets (continued)

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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

Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Finance costs

Finance costs comprise interest expense on borrowings, foreign currency losses and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Current and deferred income tax

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Current and deferred income tax (continued)

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

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

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

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

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

Earnings per share

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

Provisions

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

Subsidiaries

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Subsidiaries (continued)

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

(a) the new parent obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent;
(b) the assets and liabilities of the new group and the original group are the same immediately before and after the reorganisation; and
(c) the owners of the original parent before the reorganisation have the same absolute and relative interests in the net assets of the original group and the new group immediately before and after the reorganisation,

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

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

Transactions with equity holders

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

Adoption of new and revised International Financial Reporting Standards

In the current year, the Company has adopted all of the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2016. The adoption of these Standards did not have a material effect on the accounting policies of the Company.

Standard/ Interpretation	Effective for annual periods beginning on or after:
Amendments to IAS 19: Defined Benefit Plans: Employee Contribution	1 February 2015
Annual Improvements to IFRSs 2010-2012 Cycle	1 February 2015
Amendments to IAS 1: Disclosure Initiative	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 41: Bearer Plants	1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016
Amendments to IFRS 10, IFRS 12, IAS 28: Investment Entities – Applying the Consolidation Exception	1 January 2016

3. ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised International Financial Reporting Standards (continued)

Up to the date of approval of these financial statements the following standards have been published by the International Accounting Standards Board but were not yet effective:

i) Adopted by the European Union

Standard/ Interpretation	**Effective for annual periods beginning on or after:**
IFRS 15 "Revenue from Contract with Customers"	1 January 2018
IFRS 9 "Financial Instruments"	1 January 2018

ii) Not yet adopted by the European Union

Standard/ Interpretation	**Effective for annual periods beginning on or after:**
IFRS 14 "Regulatory Deferral Accounts"	1 January 2016
IFRS 16 "Leases"	1 January 2019
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred Indefinitely
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	1 January 2017
Amendments to IAS 7: Disclosure Initiative	1 January 2017
Clarification to IFRS 15 "Revenue from Contracts with Customers"	1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"	1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle	1 January 2017/ 1 January 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IAS40: Transfers of Investment Property	1 January 2018

The Company is in the process of evaluating the effect that the adoption of the above standards will have on the financial statements of the Company, and it does not intend to early adopt any of them. The Company expects that the most significant impact will result from the below new standards that have been issued but are not yet effective:

- IFRS 9 "Financial Instruments":

IFRS 9 (as revised in 2014) will supersede IAS 39 'Financial Instruments: Recognition and Measurement' in its entirety. The completed IFRS 9 contains the requirements for a) classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting.

4. DETERMINATION OF FAIR VALUES

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

The different levels have been defined as follows:

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

4. DETERMINATION OF FAIR VALUES (CONTINUED)

Other receivables

The fair value of other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes. The fair value of other receivables approximates their carrying amount at the balance sheet date. The fair value is within level 3 of the fair value hierarchy.

Loans to related parties

The fair value of loans to related parties, which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of loans to related parties approximates their carrying amount. The fair value is within level 3 of the fair value hierarchy.

5. IMPAIRMENT LOSSES

Expressed in Euros	**2016**	**2015**
Impairment of investment in subsidiaries (Note 2)	(174,738,412)	(235,702,131)
	(174,738,412)	**(235,702,131)**

6. ADMINISTRATIVE AND OTHER EXPENSES

Expressed in Euros	**2016**	**2015**
Audit fees	75,904	32,264
Other expenses	69,131	49,930
	145,035	**82,194**

Audit fees include in 2016 in amount of €75,904 (2015: €32,264) charged by the Company's statutory audit firm. Audit fees include an amount of €2,380 (2015: €5,807) for tax services charged by the Company's statutory audit firm.

The Company did not have any employees during 2015 and 2016.

7. DIVIDENDS PER SHARE

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

No dividends were announced and paid in 2015 and 2016.

8. FINANCE INCOME/(COSTS), NET

'000 EUR	**2016**	**2015**
Recognised in profit or loss		
Foreign exchange gain	2,308,853	4,666,865
Interest income on bank deposits	907,754	18,811
Finance income	**3,216,607**	**4,685,676**
Interest expense on loans and borrowings	(1,862,185)	(185,784)
Foreign exchange loss	(2,147,696)	(758,800)
Interest expense on bank overdrafts	(16,407)	(261,385)
Other	(8,874)	-
Finance costs	**(4,035,162)**	**(1,205,969)**
Finance (costs)/ income, net	**(818,555)**	**3,479,707**

9. INCOME TAX EXPENSE

Expressed in EUR	**2016**	**2015**
Current tax:		
Corporation tax	3,000	-

Expressed in EUR	**2016**	**2015**
Loss before tax	(175,702,002)	(232,304,618)
Tax calculated at the applicable corporation tax rate of 12,5%	(21,962,750)	(29,038,077)
Tax effect of expenses not deductible for tax purposes	21,985,895	29,524,319
Tax effect of allowances and income not subject to tax	(20,145)	(488,508)
Tax effect of tax losses for which no deferred tax asset was recognised	-	2,266
Income tax charge	**3,000**	**-**

The Company is subject to income tax on taxable profits at the rate of 12,5% as from 1 January 2013.

As from tax year 2012 brought forward losses of only five years may be utilised. Up to 31 December 2008, under certain conditions interest may be subject to special contribution for defence at the rate of 10%. In such cases 50% of the same interest will be exempt from income tax thus having an effective tax rate burden of approximately 15%.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011, and to 30% as from 29 April 2013.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% as from 1 January 2012; reduced to 17% as from 1 January 2014. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.

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

10. INVESTMENTS IN SUBSIDIARIES

Expressed in Euros	**2016**	**2015**
Opening balance	602,309,355	561,332,903
Additions	-	276,678,583
Impairment	(174,738,412)	(235,702,131)
Closing balance	**427,570,943**	**602,309,355**

10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name	Country of incorporation	Principal activities	% interest held 2016	% interest held 2015
SB Management Services Ltd	Cyprus	Dormant	100%	100%
SUN Breweries CIS	Cyprus	Investment and consulting services	100%	100%
SUN Interbrew Finance	Russia	Dormant	100%	100%
SUN InBev Russia *	Russia	Manufacturing, marketing and distribution of beer and soft drinks	93,72 %*	91,46%*
Bevmar GmbH**	Germany	Investment holding	100%	100%
Interbrew YNTR Holding	Netherlands	Investment and consulting services	100%	-***
Abberton Consultant Ltd**	Cyprus	Investment and consulting services	100%	-***
Devize Investments**	Cyprus	Investment services	100%	-***

*The Company holds directly 93,72% of SUN InBev Russia and indirectly 1,54% through Bevmar GmbH which was acquired in 2013. The increase in shareholding in SUN InBev Russia in 2014 represents the registration of the increase in the share capital of the subsidiary SUN InBev Russia. The contribution for the share capital increase was made in 2012, however the change became effective in 2014.

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

*** In 2015 the Company purchased the following share participations from ABI CEE Holdings (Luxembourg), indirect subsidiary, for a total consideration of EUR 31,375,000:

(i) 100% of its shares in Interbrew YNTR Holding (Netherlands);
(ii) 100% of its shares in Abberton Consultant Ltd (Cyprus); and,
(iii) 100% of its shares in Devize Investments (Cyprus).

During 2015, the Company contributed an amount of EUR 245,752,026 as additional investment in SUN Inbev Russia.

During 2016, the Company recognised an impairment loss of EUR 175 million in relation to the direct investment in SUN InBev Russia and indirect investment in SUN InBev Ukraine (2015: EUR 236 million). The recoverable amount of the subsidiary was based on value in use approach. Value in use was estimated using discounted cash flows. For more details of the assumptions used in the discounted cash flow projections refer to Note 2.

11. LOSS PER SHARE

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

2016	Loss (Numerator) EUR	Shares (Denominator)	Per share-amount EUR
Basic and diluted EPS			
Attributable to holders of class "A" participating shares	(133,829,158)	88,832,710	(1.507)
Attributable to holders of class "B" participating shares	(41,875,844)	27,796,220	(1.507)
Total attributable to participating shares	**(175,705,002)**	**116,628,930**	**(1.507)**

2015	Loss (Numerator) EUR	Shares (Denominator)	Per share-amount EUR
Basic and diluted EPS			
Attributable to holders of class "A" participating shares	(176,939,365)	88,832,710	(1.992)
Attributable to holders of class "B" participating shares	(55,365,253)	27,796,220	(1.992)
Total attributable to participating shares	**(232,304,618)**	**116,628,930**	**(1.992)**

12. OTHER RECEIVABLES

Expressed in Euros	2016	2015
Current		
Other receivables from related parties (Note 19 (b))	29,815	49,815
	29,815	**49,815**

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

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

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

13. CASH AND CASH EQUIVALENTS

Expressed in Euros	2016	2015
Cash at bank	18,057,982	16,188,234
Cash and cash equivalents in the statement of financial position	**18,057,982**	**16,188,234**

The Company has used overdraft facilities during the year. The amount of outstanding overdraft included into cash and cash equivalent as at 31 December 2016 was EUR 7,255,002 (31 December 2015: EUR 7,130,542).

Expressed in Euros	2016	2015
Cash and cash equivalents	18,057,982	16,188,234
Bank overdrafts used for cash management purposes (Note 16)	(7,255,002)	(7,130,542)
Cash and cash equivalents in the statement of cash flows	**10,802,980**	**9,057,692**

Cash and cash equivalents are denominated in the following currencies:

	2016	2015
Euro - functional and presentation currency	(7,255,002)	(7,130,542)
USD	6,903,938	8,033,012
RUB	11,154,044	8,155,222
	10,802,980	**9,057,692**

14. SHARE CAPITAL AND SHARE PREMIUM

	Non-redeemable preference shares (Class A)		Ordinary shares (Class B)	
Number of shares unless otherwise stated	**2016**	**2015**	**2016**	**2015**
Authorised shares	125,278,614	125,278,614	30,000,000	30,000,000
Par value	GBP 0.01	GBP 0.01	GBP 0.01	GBP 0.01
On issue at 1 January	88,832,710	88,832,710	27,796,220	27,796,220
On issue at 31 December, fully paid	**88,832,710**	**88,832,710**	**27,796,220**	**27,796,220**

Ordinary shares

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

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.

14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

Share premium

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

Distributable reserves

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

15. TRADE AND OTHER PAYABLES

Expressed in Euros	**2016**	**2015**
Other payables to third parties	91,861	62,685
	91,861	**62,685**

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

16. LOANS AND BORROWINGS

Expressed in Euros	**2016**	**2015**
Non-current		
Loan from entities under common control (Note 19 (d))	67,145,906	-
Current		
Bank overdrafts used for cash management purposes	7,255,002	7,130,542
Current loans from entities under common control (Note 19 (d))	-	64,482,884
	74,400,908	**71,613,426**

Bank overdraft is denominated in EUR with no fixed maturity date. Interest rate stays in spread 1.68% - 7%. The loan from related party is denominated in USD, bears an interest rate of 4.945% and is repayable in 2018.

17. FINANCIAL RISK MANAGEMENT

Risk management framework

The Parent's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Parent has established a Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the 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 Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, 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.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework (continued)

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

Financial risk factors

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

Cash flow and fair value interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's income and cash flows are substantially independent of changes in market interest rates.

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.

Credit risk

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

Substantially all such outstanding receivables are from the companies within the Group. Thus the Company's management does not consider credit risk is significant.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

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. The bank balances are with one bank, the Company doesn't consider the cash funds in this bank as being exposed to a significant risk, as the bank is a part of a highly reputable international banking Group (ING Group), having A+ rating from Fitch Agency.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, 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 Company's reputation.

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

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

EUR	Less than 1 year	Between 1 and 2 years	Between 2 to 5 years	Over 5 years
At 31 December 2016				
Trade and other payables	91,861	-	-	-
Loans and borrowings	7,255,002	73,826,906	-	-
	7,346,863	**73,826,906**	**-**	**-**
At 31 December 2015				
Trade and other payables	62,685	-	-	-
Loans and borrowings	71,613,426	-	-	-
	71,676,111	-	-	-

Currency risk

The Company is exposed to currency risk on loans granted that are denominated in a currency other than the functional currency of the Company. The Company has a loan from an entity under common control denominated in United States Dollar (USD).

Exposure to currency risk

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

EUR	USD-denominated 2016	USD-denominated 2015
Current loans from the entities under common control	(67,145,906)	(64,482,884)
Net exposure	**(67,145,906)**	**(64,482,884)**

Capital risk management

The Company is continuously optimizing its capital structure targeting to maximize shareholder value which keeping the desired financial flexibility to execute the strategic projects. The Company manages its capital based on its debt to equity ratio.

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

EUR	2016	2015
Total debt	(74,400,908)	(71,613,426)
Less: cash and cash equivalents	18,057,982	16,188,234
Net debt	**(56,342,926)**	**(55,425,192)**
Total equity	**(371,310,605)**	**(547,015,607)**
Debt to capital ratio at 31 December	**0.15**	**0.10**

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

18. BUSINESS ENVIRONMENT

Russian business environment

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

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

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

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

Ukrainian business and political environment

The Company's subsidiaries have also operations in Ukraine.

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

In 2016, average inflation amounted to 13.2% comparing to 48.7% in 2015. Despite the fact that the cumulative inflation in Ukraine for the three latest years slightly exceeded 100%, the management believes that the Ukrainian economy is not hyperinflationary due to slowing down of inflation during 2016 and lack of qualitative characteristics of the hyperinflationary economic environment.

The economic situation began to stabilize in 2016, which resulted in GDP growth around 1% and stabilization of Ukrainian Hryvnia. This allowed the National Bank of Ukraine to ease some foreign exchange restrictions imposed during 2014-2015, including decrease of the required share of foreign currency proceeds sale to 65% and permission of dividends remittance. However, certain other restrictions were prolonged. Significant external financing is required to support the economy. During 2015 and 2016, Ukraine received the first tranches of extended fund facilities (EFF) agreed with the IMF. Further stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government's efforts, yet further economic and political developments are currently difficult to predict.

The Ukrainian part of the Group business accounts for approximately 24.7 % of total Group revenues and 13.9 % of total Group assets. The Group has some property, plant and equipment located in the certain parts of Luhansk and Donetsk regions where the conflict with separatists continued during 2016. Total carrying value of such assets amounted to EUR 447 thousand as of 31 December 2016. Due to loss of control over the most part of these assets the Group recognised impairment of EUR 193 thousand in their respect during 2016. Apart from the mentioned impact, the Group continues its business at Ukraine as usual. However currently it is difficult to predict how further development of business and political environment in Ukraine could impact business of the Group in the future.

18. BUSINESS ENVIRONMENT (CONTINUED)

Ukrainian business and political environment (continued)

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

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

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

19. RELATED PARTY TRANSACTIONS

The Company is controlled by Worldoor Limited, incorporated in Cyprus, which effectively owns 73.14% of the Company's shares. 26.81% are also effectively controlled by other related companies within the Shareholder Group. The Company's ultimate controlling party is Anheuser-Busch InBev ("Parent").

Related parties represent entities under common control and/or ownership.

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

The following transactions were carried out with related parties:

(a) Contribution to investments in subsidiaries

Expressed in EUR	2016	2015
Investments in subsidiaries:		
Additions/contributions (Note 10)	-	276,678,583
	-	**276,678,583**

(b) Receivables from related parties

Expressed in EUR	2016	2015
Receivable from related parties:		
Related party	29,815	49,815
	29 815	**49 815**

(c) Loans to related parties

Expressed in EUR	2016	2015
Loans to companies under common control:		
At the beginning of the year	-	128,855,567
Loans advanced during year	-	-
Interest charged	-	-
Loans repaid during year	-	(128,855,567)
Interest paid	-	-
At the end of the year	**-**	**-**

The loan was repaid in full in November 2015.

19. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Loans from related parties

Expressed in EUR	2016	2015
Loans from companies under common control:		
At the beginning of the year	(64,482,884)	-
Loans advanced during the year	(3,452,535)	(63,538,300)
Interest charged	(1,862,185)	(185 784)
Foreign exchange gain/ loss	723,404	(758,800)
Interest paid	1,928,294	-
At the end of the year (Note 16)	(67,145,906)	(64,482,884)

The loan from related party is denominated in USD, bears an interest rate of 4.945% and is repayable in 2018.

(e) Interest income and interest expense

	2016	2015
Expressed in EUR		
Interest income:		
Companies under common control	-	-
Interest expense:		
Companies under common control	(1,862,185)	(185,784)

20. FINANCIAL INSTRUMENTS BY CATEGORY

Expressed in Euros	2016	2015
Loans and receivables		
Trade and other receivables	29,815	49,815
Cash and cash equivalents	18,057,982	16,188,234
	18,087,797	**16,238,049**

Expressed in Euros	2016	2015
Financial liabilities		
Trade and other payables	91,861	62,685
Bank overdrafts	7,255,002	7,130,542
Current loans from entities under common control	67,145,906	64,482,884
	74,492,769	**71,676,111**

21. EVENTS AFTER THE BALANCE SHEET DATE

The following exchange rates were noted as of 31 of March 2017 and during the period between 1st January 2017 and 31st March 2017:

	Average rate		Exchange rate as of the date	
	Period 1 January 2017 until 31 March 2017	Year ended 31 December 2016	31 March 2017	31 December 2016
RUB for EUR	63.0279	74.1070	59.9961	63.8111
UAH for EUR	28.8151	28.1436	28.8918	28.4226

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

22. GOING CONCERN BASIS

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

The principal risks and uncertainties faced by the Company are disclosed in Notes 2, 17 and 18 of the financial statements. The Company received confirmation of financial support from the Parent company that will enable it to continue in operation for at least twelve months from the date of the financial statements.

The management of the Company has undertaken in 2016 and has planned for 2017 the following initiatives for the purpose of enhancing profitability of the Group's operations and financial position:

- In 2016 the management has grown Net Revenue/hl by 16.5% through the following initiatives:
  - Significant price increases in 2016 in both countries (19% in Russia & 32% in Ukraine) in order to improve profitability
  - Continuous premiumization of the products sold in both countries, growth of Premium brands such as Bud, Hoegaarden and imported product
- In 2017 the management plans to continue growing Net Revenue/hl (+8.3%) through ongoing premiumization driven by Premium brands (incl. imported), as well as further development of draught beer, providing continuous Net Revenue growth.
- The management continues to work on optimization of fixed expenses (General and Administrative) in order to improve bottom-line (in 2016 the General and Administrative expenses decline was approximately 20% vs. previous year)
- The management continues to work with government authorities on their support to the business activities of the Group.

Considering growing gross profit, declining fixed expenses & stabilizing macro environment in both Russia & Ukraine, the management has a reasonable expectation of achieving profitability and meeting its current obligations and for this reason believes it is appropriate to continue adopting the going concern basis in preparing the annual report and accounts.

After considering all the uncertainties and the Parent's support confirmation the management has a reasonable expectation that the Company will be successful in obtaining the necessary resolution and for this reason believes it is appropriate to continue to adopt the going concern basis in preparing the annual report and accounts and that there is no material uncertainty in this respect.

Independent auditor's report on pages 12 to 16.