SUN Interbrew Plc

HALF YEARLY FINANCIAL REPORT 2014

which includes the

Non-Audited, Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2014

Contents

Board of Directors and other officers (27 August 2014)

Board of Directors

Nand Khemka (also, the Chairman of the Board)
Shiv Khemka
Uday Khemka
Denis Khrenov (also, the Chief Executive Officer)
Olexander Balakhnov (also, Chief Legal Officer)
Olesya Sheppard
Anton Chvanov (also, Chief Financial Officer)
Timur Miretsky
Dmytro Shpakov
Inter Jura CY (Directors) LTD
Inter Jura (Management) LTD

Company Secretary

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

Registered office

1 Lampousas Street
CY-1095 Nicosia
Cyprus

The Half-Yearly Financial Report 2014, including the Non-Audited, Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2014 was approved by the Board of Directors on the 27th of August 2014.

Statement by the Members of the Board of Directors and other responsible officers of the Company for the preparation of the Non-Audited, Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2014

In accordance with the provisions of Section 10, 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 preparation of the Non-Audited, Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2014 (the "Interim Condensed Consolidated Financial Statements") of SUN Interbrew Plc (the "Company") confirm to the best of our knowledge that:

(a) the Interim Condensed Consolidated Financial Statements which are presented in pages 9-12

   (i) have been prepared in accordance with the applicable International Financial Reporting Standard (IAS 34) and in accordance with the provisions of Section 10, sub-section (4) of the Law, and

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

(b) the Interim Management Report in pages 5-8 includes a fair review of the information required under Section 10, subsection 6 of the Law.

Members of the Board of Directors

Name and surname	**Signature**
Denis Khrenov – Director and Chief Executive Officer	
Nand Khemka – Director (Chairman of the Board)	
Shiv Khemka – Director	
Uday Khemka – Director	
Oleksandr Balakhnov – Director and Chief Legal Officer	
Timur Miretsky – Director	
Dmytro Shpakov – Director	
Anton Chvanov – Director and Chief Financial Officer	
Oleksandr Balakhnov – Director	
Inter Jura CY (Directors) Limited – Director	
Inter Jura CY (Management) Limited – Director	

Responsible for the preparation of the consolidated financial statements

Name and surname	**Position**	**Signature**
Anton Chvanov	Chief Financial Officer	

Interim Management Report

The Board of Directors presents its Interim Management Report to be followed by the Non-Audited, Interim Condensed Consolidated Financial Statements for the Company and its subsidiaries (the "Group") for the six-month period ended 30 June 2014.

1. Principal activities of the Group remain the same

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

2. Economic analysis of the results and comparative economic analysis in relation to the previous corresponding period

Russian beer industry volumes continued to be weak in 2Q14, with our own volumes down approximately 10% in both 2Q14 and HY14 as compared to the corresponding period in 2013, due mainly to a weak industry and some estimated market share loss. However, we estimate that we continue to gain share in Premium/Super Premium brands, led by the Budweiser beer brand. Management's focus continues to be the premiumization of our portfolio and striking the optimal balance between volume, revenue and profitability. In Ukraine, beer volumes declined 23% in 1st semester 2014 as compared to the corresponding period in 2013, with weak industry performance due to the continuing repercussions of the severe political situation and tensions.

Revenue decreased 7.1% in 1st semester 2014 as compared to 1st semester 2013. Cost of Sales (CoS) increased 19.0% in 1st semester 2014 as compared to 1st semester 2013 . EBITDA[1] declined by 20.1% in 1st semester 2014 with a margin of 13.43%, a decrease of 219 basis points as compared to corresponding period in 2013. Net finance costs were 33,890 thousand Euro in 1st semester 2014 as compared to 22,084 thousand Euro in 1st semester 2013. The increase in finance costs is mainly driven by Ukrainian Hrivnya weakening. Normalized losses attributable to equity holders increased in nominal terms to 56,147 thousand Euro in 1st semester 2014 as compared to 25,787 thousand Euro in 1st semester 2013, mainly due to lower net finance costs and income tax expense. Normalized earnings per share (EPS) was -0.43 Euro in 1st semester 2014 compared with -0.19 Euro in 1st semester 2013.

On 30 June 2014 the total assets of the Group were 1,052,635 thousand Euro (30 June 2013: 1,394,267 thousand Euro) and the net assets were 242,108 thousand Euro (30 June 2013: net assets 504,987 thousand Euro). The total assets of the Group and net assets on 31st December 2013 were respectively 1,152,662 thousand Euro and 341,512 thousand Euro.

The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

3. Non-recurring or extraordinary activities for the 1st semester 2014

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

4. Important Events during the first six months of the financial year, and their impact on the interim financial results

[1] Earnings Before Interest, Taxes, Depreciation and Amortization

As noted in the Annual Audited Financial Statements for 2013, in March 2014, the Company announced its decision to shut down the brewery in Perm and reallocate production to other sites in Russia due to the fact of extra pressure on the beer industry which thwarted its growth, including the quadrupling of the excise tax since 2009 and various legislative restrictions and probably bans. Management is currently in the process of evaluating various alternatives with respect to the plant assets.

5. Principal Risks and Uncertainties for the second semester of the financial year 2014

Political events in Ukraine and related sanctions adopted by the European Union and the United States against Russia and related countermeasures by Russia, may adversely affect the Company's operations in Ukraine, Russia and elsewhere in the region. The Group owns and operates beer production facilities in Ukraine and Russia. Continued political instability, civil strife, deteriorating macroeconomic conditions and actual or threatened military action in the region could have a material adverse effect on Group's operations in the region and on the results of operations of the Group. The future business environment may change from current management's assessment.

The international sovereign debt crisis, stock market volatility, changes in exchange rate and other risks could have a negative effect on the Group's financial and corporate sectors in second semester of 2014. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The management of the Group, manages each of these risks individually as well as on an interconnected basis, and defines strategies to manage the economic impact Group companies performance in line with its financial risk management policy.

The Management of the Group believes that cash flows from operating activities, available cash and cash equivalents and access to the Parent's borrowing facilities, will be sufficient to finance capital expenditures and debt. It is the Group's objective to continue to reduce its financial indebtedness in second semester of 2014 by using cash from operating activities.

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

Failure to generate significant cost savings and margin improvement through initiatives for improving operational efficiencies could adversely affect Group's profitability and the Group's ability to achieve its financial goals.

If the business of the Group does not develop as expected, impairment charges on goodwill or other intangible assets may be incurred in the future which could be significant and which could have an adverse effect on the Group's results of operations and financial condition.

The nature of the risks to which the Company is exposed is not expected to change significantly during the second half of 2014. The principal risks and uncertainties faced by the Company are further elaborated in Notes 1 and 11 of the Non-Audited, Interim Condensed Consolidated Financial Statements.

6. Other substantial information which affects or could affect the assessment or evaluation regarding profits and losses, the prospects and trends of the operations and gain or loss of important contracts or co-operations.

The Group relies on the reputation of its brands and its success depends on its ability to maintain and enhance the image and reputation of its existing products and to develop a favourable image and reputation for new products. An event, or series of events, that materially damages the reputation of one or more of Group' s brands could have an adverse effect on the value of that brand and subsequent revenues from that brand or business. Further, any restrictions on the permissible advertising style, media and messages used or the introduction of similar restrictions may constraint Group’s brand building potential and thus reduce the value of its brands and related revenues.

The Group may not be able to protect its current and future brands and products and defend its intellectual property rights, including trademarks, patents, domain names, trade secrets and know-how, which could have a material adverse effect on its business, results of operations, cash flows or financial condition, and in particular, on the Group’s ability to develop its business.

Certain of the Group's operations depend on independent distributors' or wholesalers’ efforts to sell Group's products and there can be no assurance that such distributors will not give priority to Group's competitors. Further, any inability of the Group to replace unproductive or inefficient distributors or any limitations imposed on Group to purchase or own any interest in distributors or wholesalers as a result of contractual restrictions, regulatory changes, changes in legislation or the interpretations of legislation by regulators or courts could adversely impact the Group's business, results of operations and financial condition.

Changes in the availability or price of raw materials, commodities, energy and water could have an adverse effect on the Group's results of operations to the extent that the Group fails to adequately manage the risks inherent in such volatility, including if Group’s hedging and derivative arrangements do not effectively or completely hedge changes in commodity prices.

The Group relies on key third parties, including key suppliers for a range of raw materials for beer and for packaging material. The termination of or material change to arrangements with certain key suppliers or the failure of a key supplier to meet its contractual obligations could have a material impact on Group's production, distribution and sale of beer and have a material adverse effect on Group's business, results of operations, cash flows or financial condition.

Although the Group monitors brewing quality to ensure its high standards, to the extent that one of these key brand names or joint ventures, investments in companies in which the Group does not own a controlling interest and Group’s licensees are subject to negative publicity, it could have a material adverse effect on Group’s business, results of operations, cash flows or financial condition.

Competition in its various markets and increased purchasing power of players in Group’s distribution channels, could cause Group to reduce pricing, increase capital investment, increase marketing and other expenditures, prevent Group from increasing prices to recover higher cost and thereby cause Group to reduce margins or lose market share. Any dilution of Group’s brands as a result of competitive trends could also lead to a significant erosion of Group’s profitability. Any of the foregoing could have a material adverse effect on Group's business, financial condition and results of operations. Also, innovation faces inherent risks, and the new products the Group introduces may not be successful, while competitors may be able to respond quicker to the emerging trends, such as the increasing consumer preference for “craft beers” produced by smaller microbreweries.

The continued consolidation of retailers in markets in which the Group operates could result in reduced profitability for the beer industry as a whole and indirectly adversely affect Group’s financial results.

The Group could also incur significant costs as a result of compliance with, and/or violations of or liabilities under, various regulations that govern the Group's operations or the operations of its licensed third parties. Also, public concern about beer consumption and any resulting restrictions may cause the social acceptability of beer and soft drink to decline significantly and consumption trends to shift away from these products, which would have a material adverse effect on Group's business, financial condition and results of operations.

Negative publicity regarding Group's products and brands or publication of studies indicating a significant risk in using Group's products generally, or changes in consumer perceptions in relation to Group's products could adversely affect the sale and consumption of Group's products and could harm its business, results of operations, cash flows or financial condition.

The beer industry is subject to adverse changes in taxation, which makes up a large proportion of the cost of beer charged to consumers in many jurisdictions. Increases in excise applicable to Group's products tend to adversely affect Group's revenue or margins both by reducing overall consumption and by encouraging consumers to switch to other categories of beverages. An increase in beer excise taxes or other taxes could adversely affect the financial results of Group as well as its results of operations.

Furthermore, Group companies may be subject to increased taxation by local authorities or to new or modified taxation regulations and requirements.

Seasonal consumption cycles and adverse weather conditions in the markets in which Group companies operate may result in fluctuations in demand for Group's products and therefore may have an adverse impact on Group's business, results of operations and financial condition.

7. Related parties' transactions during the 1st semester of the financial year

The transactions of the Company with related parties are stated under note 12 of the Non-Audited, Interim Condensed Consolidated Financial Statements.

Nicosia, 27 August 2014.

'000 Euro	**Note**	**30 June 2014**	**31 December 2013**
Assets			
Non-current assets			
Property, plant and equipment	6	431,508	518,727
Intangible assets	7	110,505	120,614
Non-current income tax		3,361	4,895
Investments		196	196
Deferred tax assets		41,653	39,287
Total non-current assets		**587,223**	**683,719**
Current assets			
Inventories	8	79,600	82,521
Loan granted to related party		129,623	129,311
Current tax assets		7,772	2,681
Trade and other receivables		90,315	48,141
Prepayments		5,175	3,076
Cash and cash equivalents		143,474	192,839
Total current assets		**455,959**	**458,569**
Assets classified as held for sale		9,463	10,374
Total assets		**1,052,645**	**1,152,662**
Equity and liabilities			
Equity	9		
Share capital		1,809	1,809
Share premium		459,105	459,105
Retained earnings		58,281	107,892
Translation reserve		(284,728)	(246,843)
Total equity attributable to the equity holders of the Company		**234,467**	**321,963**
Minority interest		**7,650**	**19,549**
Total equity		**242,117**	**341,512**
Non-current liabilities			
LT Loans and borrowings	10	293,738	299,324
Employee benefits		148	216
Total non-current liabilities		**293,886**	**299,540**
Current liabilities			
Loans and borrowings	10	132,494	159,510
Trade and other payables		384,086	351,420
Current tax liabilities		62	680
Total current liabilities		**516,642**	**511,610**
Total liabilities		**810,528**	**811,150**
Total equity and liabilities		**1,052,645**	**1,152,662**

These condensed consolidated interim financial statements were approved by management on 27 August 2014 and were signed on its behalf by:

Denis Khrenov Chief Executive Officer ____________________

Anton Chvanov Chief Financial Officer ____________________

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 13 to 18.

'000 Euro	**Note**	**2014**	**2013**
Revenue		433,749	564,207
Cost of sales		(259,001)	(339,040)
Gross profit		**174,748**	**225,167**
Selling, marketing and distribution expenses		(170,004)	(197,715)
General and administrative expenses		(29,450)	(47,371)
Other expense, net		(2,338)	(1,562)
Results from operating activities		**(27,044)**	**(21,481)**
Finance income		9	188
Finance costs		(33,890)	(22,084)
Net finance costs		**(33,881)**	**(21,896)**
Profit before income tax		**(60,925)**	**(43,377)**
Income tax expense		4,778	17,590
Profit for the period		**(56,147)**	**(25,787)**
Other comprehensive income			
Foreign currency translation difference		(43,248)	5,751
Other comprehensive income for the period		**(43,248)**	**5,751**
Total comprehensive income for the period		**(99,395)**	**(20,037)**
Profit/(loss) attributable to:			
Owners of the Company		(49,611)	(22,707)
Minority interest		(6,536)	(3,080)
Profit for the period		**(56,147)**	**(25,787)**
Total comprehensive income attributable to:			
Owners of the Company		(92,859)	(16,377)
Minority interest		(6,536)	(3,659)
Total comprehensive income for the period		**(99,395)**	**(20,036)**
Earnings per share			
Basic and diluted earnings per share (Euro)		**(0.43)**	**(0.19)**

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 13 to 18.

	Attributable to equity holders of the Company						
'000 Euro	**Share capital**	**Share premium**	**Retained earnings**	**Translation reserve**	**Total**	**Minority interest**	**Total**
Balance at 1 January 2013	**1,809**	**459,105**	**280,851**	**(246,003)**	**495,762**	**29,261**	**525,023**
Profit for the period	-	-	(22,707)	-	(22,707)	(3,080)	**(25,787)**
Other comprehensive income							
Translation difference	-	-	-	6,330	6,330	(579)	**5,751**
Total comprehensive income for the period	**-**	**-**	**(22,707)**	**6,330**	**(16,377)**	**(3,659)**	**(20,036)**
Balance at 30 June 2013	**1,809**	**459,105**	**258,144**	**(239,673)**	**479,385**	**25,602**	**504,987**

	Attributable to equity holders of the Company						
'000 Euro	**Share capital**	**Share premium**	**Retained earnings**	**Translation reserve**	**Total**	**Minority interest**	**Total**
Balance at 1 January 2014	**1,809**	**459,105**	**107,892**	**(246,843)**	**321,963**	**19,549**	**341,512**
Profit for the period	**-**	**-**	(49,611)	-	(49,611)	(6,536)	**(56,147)**
Other comprehensive income							
Translation difference	**-**	**-**	-	(37,885)	(37,885)	(5,363)	**(43,248)**
Total comprehensive income for the period	**-**	**-**	**(49,611)**	**(37,885)**	**(87,496)**	**(11,899)**	**(99,395)**
Balance at 30 June 2014	**1,809**	**459,105**	**58,281**	**(284,728)**	**234,467**	**7,650**	**242,117**

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 13 to 18.

For the 6 months ended 30 June '000 Euro	Note	2014	2013
Cash flows from operating activities			
Profit for the year		**(56,147)**	**(25,788)**
Adjustments for:			
Depreciation and amortization		48,076	64,445
Impairment losses on property, plant and equipment		449	2,670
Loss on disposal of property, plant and equipment	6	(497)	3,755
Interest expense, net of interest income		18,069	20,065
Unrealized foreign exchange gain		2,452	1,642
Income tax expense	5	(4,780)	17,590
Other non-cash items		3,019	1,393
Cash from operating activities before changes in working capital and provisions		**10,641**	**47,826**
Change in inventories		(4,325)	(4,170)
Change in prepayments		(2,099)	319
Change in trade and other receivables		(47,801)	(61,131)
Change in trade and other payables		74,134	87,458
Change in provisions and employee benefits		(13)	(504)
Cash flows from operations before income tax and interest paid		**30,537**	**67,798**
Income tax paid		(6,906)	(3,866)
Interest paid		(18,003)	(21,367)
Net cash from operating activities		**5,628**	**44,565**
Cash flow from investing activities			
Loans granted		(22)	(267,726)
Interest received		-	1,286
Repayments of loans granted		-	41
Proceeds from sale of property, plant and equipment		2,004	23,992
Acquisition of property, plant and equipment	6	(26,148)	(35,862)
Acquisition of intangible assets		(665)	(275)
Net cash used in investing activities		**(24,831)**	**(278,544)**
Cash flow from financing activities			
Proceeds from borrowings		25,085	103,074
Repayment of borrowings		(44,875)	(140,230)
Other financial costs		(3,348)	-
Net cash used in financing activities		**(23,138)**	**(37,156)**
Net increase in cash and cash equivalents		**(42,341)**	**(271,135)**
Cash and cash equivalents at 1 January		192,839	328,310
Effect of exchange rate changes on cash and cash equivalents		(7,024)	(7,917)
Cash and cash equivalents at 30 June		**143,474**	**49,258**

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 13 to 18.

1 Background

(a) Business environment

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

(b) Organisation and operations

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

The majority of the Company's funding comes from other entities within the group headed by AB InBev. As a result, the Company is economically dependent upon the Group headed by AB InBev. In addition, the activities of the Company are closely linked with the requirements of the Group headed by AB InBev and determination of the pricing of the Group's services to the Group headed by AB InBev is undertaken in conjunction with other companies in the Group headed by AB InBev. Related party transactions are disclosed in note 12.

2 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended 31 December 2013.

These Interim Condensed Consolidated Financial Statements have not been audited by the external auditors of the Company.

(b) Basis of measurement

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

(c) Functional and presentation currency

The Company's functional currency is the Euro.

The functional currencies of the Russian and Ukrainian subsidiaries are the Russian Rouble and Ukrainian Hryvna respectively. Management has elected to use the Euro as the presentation currency for the consolidated financial statements. All financial information presented in Euro has been rounded to the nearest thousand.

(d) Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. As at 30 June 2014 the Company's current assets exceeded its current liabilities by 60,683 thousand Euro (31 December 2013: 53,041 thousand Euro). A significant portion of current assets represent loans received from related parties (see note 10).

The consolidated financial statements do not include any adjustments should the Company be unable to continue as a going concern.

(e) Use of estimates and judgements

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2013.

3 Significant accounting policies

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended 31 December 2013.

4 Operating segments

(i) Information about reportable segments

For the six-month period ended 30 June 2014

'000 Euro	**Russia**	**Ukraine**	**Total**
External and segment revenue	323,504	112,734	436,238
Inter-segment revenue	(2,486)	-	(2,486)
Reportable segment profit before income tax	**(38,628)**	**(17,519)**	**(56,147)**

For the six-month period ended 30 June 2013

'000 Euro	**Russia**	**Ukraine**	**Total**
External and segment revenue	382,004	184,399	566,403
Inter-segment revenue	(2,140)	(56)	(2,196)
Reportable segment profit before income tax	**(24,445)**	**(1,343)**	**(25,788)**

As at 30 June 2014

'000 Euro	**Russia**	**Ukraine**	**Total**
Assets			
Reportable segment assets	891,286	164,414	1,055,700
Inter-segment loans issued	(1,636)	(1,419)	(3,055)
Total	**889,650**	**162,995**	**1,052,645**
Liabilities			
Reportable segment liabilities	(714,544)	(99,039)	(813,583)
Inter-segment borrowings	1,419	1,636	3,055
Total	**(713,125)**	**(97,403)**	**(810,528)**

As at 31 December 2013

'000 Euro	**Russia**	**Ukraine**	**Total**
Assets			
Reportable segment assets	909,936	244,355	1,154,291
Inter-segment loans issued	(1,405)	(224)	(1,629)
Total	**908,531**	**244,131**	**1,152,662**
Liabilities			
Reportable segment liabilities	(694,413)	(118,366)	(812,779)
Inter-segment borrowings	224	1,405	1,629
Total	**(694,189)**	**(116,961)**	**(811,150)**

(ii) Information about reportable segments

The major change in segment assets of Russia and Ukraine relates to decrease the in cash and equivalents in amount of 49,365 thousand Euro, increase in loan granted to related party in amount of 69,150 thousand Euro and decrease in property, plant and equipment in amount of 86,974 thousand Euro which mainly explained by continuous weakening of Ukrainian Hrivnya.

5 Income tax expense

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

The statutory income tax rate applicable to the Russian companies is 20% (six-month period ended 30 June 2013: 20%). The statutory income tax rate applicable to the Ukrainian companies is 18% (six-month period ended 30 June 2013: 19%). The statutory income tax rate applicable to the Cyprus companies is 12.5% (six-months ended 30 June 2013: 12.5%)

The Company's consolidated effective tax rate for the six-month period ended 30 June 2014 was 8% (six-month period ended 30 June 2013: 41%).

For the six-month period ended 30 June

'000 Euro	**2014**	**2013**
Current tax	(1,426)	7,592
Deferred income tax	6,204	9,998
	4,778	**17,590**

6 Property, plant and equipment

Acquisitions and disposals

During the six-month period ended 30 June 2014 the Company acquired assets with a cost, excluding capitalized borrowing costs, of 25,984 thousand Euro (six-month period ended 30 June 2013: 36,137 thousand Euro).

Assets with a carrying amount of 839 thousand Euro were disposed of during the six-month period ended 30 June 2014 (six-month period ended 30 June 2013: 18,670 thousand Euro), resulting in a loss on disposal of 497 thousand Euro (gain on disposal six-month period ended 30 June 2013: 1,812 thousand Euro), which is included in other income.

Capital commitments

As at 30 June 2014 the Company had contracts to purchase property, plant and equipment for about 22,798 thousand Euro (31 December 2013: 3,936 thousand Euro); delivery is expected during one-year period.

7 Intangible assets

As at 30 June 2014 management reviewed intangible assets and property, plant and equipment for indications of impairment since the end of 2013 to determine whether a detailed impairment calculation at the end of interim period was required. No such indications were identified. As a result no impairment losses were recognized in the interim financial statement for the six-month period ended 30 June 2014 (six-month period ended 30 June 2013: nil).

8 Inventories

During the six-month period ended 30 June 2014 an impairment loss of 649 thousand Euro has been recognized (six-month period ended 30 June 2013: 593 thousand Euro). The impairment is included in cost of sales and selling, marketing and distribution expenses in the condensed consolidated interim statement of comprehensive income.

9 Share Capital and Premium

The authorized share capital of the Group is comprised of 125.278.614 Class A shares (with no right to vote) and 30.000.000 Class B shares (with right to vote) with nominal par value of one 0,01 GBP each. The issued share capital is comprised of 88.832.710 Class A shares and 27.796.220 Class B shares with a nominal value of one 0,01 GBP. All issued shares are fully paid.

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

10 Loans and borrowings

				30 June 2014		31 December 2013	
'000 Euro	**Currency**	**Interest rate nominal**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Non-current loan from an entity under common control	RUB	8.25%	2018	293,738	293,738	299,324	299,324
Bank overdraft	EUR	6.15% - 6.80%	n/a	19,383	19,383	19,117	19,117
Current loans from an entity under common control	RUB	Mosprime + 2%	2014	128,770	128,770	156,012	156,012
Current interest payable	n/a	n/a	n/a	3,719	3,719	3,498	3,498
				445,610	**445,610**	**477,951**	**477,951**

During the six-month period ended 30 June 2014 there were no new issuances of loans and borrowings.

11 Taxation contingencies

(a) Taxation contingencies in the Russian Federation

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

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

(b) Taxation contingencies in Ukraine

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

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

12 Related party transactions

(a) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs:

For the six-month period ended 30 June **'000 Euro**	**2014**	**2013**
Salaries and bonuses	305	361
Contributions to State pension fund	1	1
Other service benefits provided	3	81
	309	**443**

(b) Other transactions

The Company has entered into various service agreements with other entities controlled by AB InBev. These services include management support, general technical assistance, provision of loans, publicity, marketing, use of brands and various other services. The amount of the service fees is agreed annually between the parties. During the six-month period ended 30 June 2014 service expenditures and royalties amounted to 21,556 thousand Euro (six-month period ended 30 June 2013: 35,112 thousand Euro) under these agreements. Interest expense charged by related parties amounted to 17,960 thousand Euro (six-month period ended 30 June 2013: 21,277 thousand Euro).

The outstanding balances with related parties were as follows:

'000 Euro	**30 June 2014**	**31 December 2013**
Prepayments from entities under common control	4,595	2,651
Accounts payable to the entities under common control	(37,665)	(22,899)
Loan granted to an entity under common control	129,623	129,311
Current loans from entities under common control	(128,770)	(156,006)
Interest payable to the entities under common control	(3,719)	(3,504)
Non-current loans from entities under common control	(293,738)	(299,324)
	(329,674)	**(349,771)**

13 Events after the balance sheet date

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