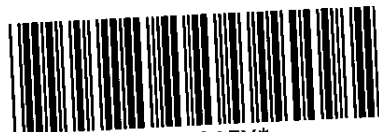


Parent company consolidated  
accounts of Anheuser-Busch in Bev  
which include exemption statement  
under 479A for  
ANHEUSER BUSCH EUROPE LIMITED  
See page 179

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# Management report

Anheuser-Busch InBev is a publicly traded company (Euronext: ABI) based in Leuven, Belgium, with secondary listings on the Mexico (MEXBOL: ANB) and South Africa (JSE: ANH) stock exchanges and with American Depositary Receipts on the New York Stock Exchange (NYSE: BUD). Our Dream is to bring people together for a better world. Beer, the original social network, has been bringing people together for thousands of years. We are committed to building great brands that stand the test of time and to brewing the best beers using the finest natural ingredients. Our diverse portfolio of well over 500 beer brands includes global brands Budweiser®, Corona® and Stella Artois®, multi-country brands Beck's®, Castle®, Castle Lite®, Hoegaarden® and Leffe®; and local champions such as Aguila®, Antarctica®, Bud Light®, Brahma®, Cass®, Chernigivske®, Cristal®, Harbin®, Jupiler®, Klinskoye®, Michelob Ultra®, Modelo Especial®, Quilmes®, Victoria®, Sedn®®, Sibirskaya Korona® and Skol®. Our brewing heritage dates back more than 600 years, spanning continents and generations. From our European roots at the Den Hoorn brewery in Leuven, Belgium. To the pioneering spirit of the Anheuser & Co brewery in St. Louis, US. To the creation of the Castle Brewery in South Africa during the Johannesburg gold rush. To Bohemia, the first brewery in Brazil. Geographically diversified with a balanced exposure to developed and developing markets, we leverage the collective strengths of nearly 200 000 employees based in more than 50 countries worldwide. For 2017, AB InBev's reported revenue was 56.4 billion US dollar (excluding joint ventures and associates).

The following management report should be read in conjunction with Anheuser-Busch InBev's audited consolidated financial statements.

In the rest of this document we refer to Anheuser-Busch InBev as "AB InBev" or "the company".

## Combination with SAB

On 10 October 2016, AB InBev announced the completion of the Belgian Merger and the successful completion of the business combination with the former SABMiller Group ("SAB").

The combined company has operations in virtually every major beer market and an expanded portfolio that includes global, multi-country and local brands, providing more choices for consumers around the world. Following the combinations with SAB, AB InBev benefits from a geographically diversified platform, with a stronger presence in key emerging regions with attractive growth prospects, such as Africa and Latin America. The growth opportunities in these developing markets complement the stability and strength of the company's strong existing presence in developed markets.

As a result of the Belgian merger, which was the final step in completion of the combination, the former AB InBev merged into Newbelco, and Newbelco has become the holding company for the combined former AB InBev and SAB groups. All assets and liabilities of the former AB InBev have been transferred to Newbelco, and Newbelco has automatically been substituted for the former AB InBev in all its rights and obligations by operation of Belgian law. Newbelco has been renamed Anheuser-Busch InBev, and the former AB InBev has been dissolved by operation of Belgian law.

The shares in the former AB InBev were delisted from Euronext Brussels, the Bolsa Mexicana de Valores and the Johannesburg Stock Exchange. The new ordinary shares were admitted to listing and trading on Euronext Brussels, the Johannesburg Stock Exchange and the Bolsa Mexicana de Valores at the opening of business in each market on 11 October 2016. In addition, ADSs trading on the New York Stock Exchange, each of which used to represent one ordinary share of the former AB InBev, now each represent one new ordinary share, effective as of the opening of business in New York on 11 October 2016.

The share capital of AB InBev now amounts to 1 238 608 344 euro. It is represented by 2 019 241 973 shares without nominal value, of which 85 541 785 are held in treasury by AB InBev and its subsidiaries as at 31 December 2017. All shares are new ordinary shares, except for 325 999 817 restricted shares.

Following the combination, AB InBev is consolidating SAB and reporting the results of the retained SAB operations in its income statement as of the fourth quarter 2016.

## Recent events

### Completion of the disposal of the former SAB Central and Eastern European business

On 31 March 2017, the company announced the completion of the divestiture of the businesses formerly owned by SAB in Poland, the Czech Republic, Slovakia, Hungary and Romania (the "CEE Business") for a transaction value of 7.3 billion euro on a cash free/debt free basis. The results of the CEE Business were presented as part of "Results from discontinued operations" until the completion of the disposal.

### Disposal of the company's interest in Distell Group Limited to the Public Investment Corporation

On 12 April 2017, the company announced the completion of the sale of its entire indirect shareholding in Distell Group Limited to the Public Investment Corporation Limited, acting on behalf of the Government Employees Pension Fund. The sale was required as a condition of the South African Competition Tribunal's approval on 30 June 2016 of the business combination between AB InBev and SAB.

### Repayment of 8 billion US dollar Term Loan due 2021

On 10 April 2017, the company repaid 6 billion US dollar of the 8 billion US dollar Term Loan due 2021. On 12 June 2017, AB InBev fully repaid the remaining 2 billion US dollar outstanding. This Term Loan was the last remaining facility of the 75 billion US dollar senior facilities raised in October 2015 to finance the combination with SAB.

**Extension of 9.0 billion US Dollar 2010 senior facilities**

AB InBev extended its 9.0 billion US dollar 2010 senior facilities by two years, effective on 3 October 2017. The new maturity date of the facility is 30 August 2022.

**Completion of CCBA disposal**

On 4 October 2017, the company announced the completion of the transition of its 54.5% equity stake in Coca-Cola Beverages Africa ("CCBA") for 3.15 billion US dollar, after customary adjustments. AB InBev stopped consolidating CCBA in its consolidated financial statements as of that date.

CCBA, the largest Coca-Cola bottler in Africa, was formed in 2016 through the combination of the African non-alcohol ready-to-drink bottling interests of SAB, The Coca-Cola Company and Gutsche Family Investments. It includes the countries of South Africa, Namibia, Kenya, Uganda, Tanzania, Ethiopia, Mozambique, Ghana, Mayotte, and Comoros.

Following completion, CCBA will remain subject to the agreement reached with the South African Government and the South African Competition Authorities on several conditions, all of which were previously announced.

In addition AB InBev and The Coca-Cola Company continue to work towards finalizing the terms and conditions of the agreement for The Coca-Cola Company to acquire AB InBev's interest in, or the bottling operations of, its businesses in Zambia, Zimbabwe, Botswana, Swaziland, Lesotho, El Salvador, and Honduras. These transactions are subject to the relevant regulatory and shareholder approvals in the different jurisdictions.

**Combination of the AB InBev and Anadolu Efes Russia and Ukraine businesses**

On 9 August 2017, the company announced it had reached a non-binding agreement with Anadolu Efes (IST: AEFES), the leading brewer in Turkey, regarding a 50:50 merger of AB InBev's and Anadolu Efes' existing Russia and Ukraine businesses.

The announcement of this non-binding agreement follows AB InBev's acquisition of a 24% stake in Anadolu Efes as part of the company's combination with SAB, which completed in October 2016. The transaction remains conditional on the completion of satisfactory due diligence and is subject to regulatory approvals in Russia and Ukraine.

This intended combination of the companies' operations in Russia and Ukraine would strengthen the competitive position of both AB InBev's and Anadolu Efes' brands in these markets, with the potential for further growth. The combined business' ambitions would be to lead the Russian and Ukrainian markets, with a diverse portfolio of brands and a broader range of beers for consumers. In addition, the combination would enhance AB InBev's existing relationship with Anadolu Efes and the value of its stake in Anadolu Efes.

Following the closing of the intended transaction, the combined business would be fully consolidated in the Anadolu Efes financial accounts. As a result, AB InBev would stop consolidating its operations in Russia and Ukraine and account for its investment resulting from this transaction under the equity method.

The transaction is expected to complete during the first half of 2018. Until completion of the transaction, both AB InBev and Anadolu Efes' businesses in Russia and Ukraine remain separate and continue business as usual.

**Cerveceria Nacional Dominicana S.A. ("CND") put option**

On 1 December 2017, Ambev announced that E. León Jimenes S.A. ("ELJ") partially exercised its option to sell approximately 30% of the shares of Cerveceria Nacional Dominicana S.A. ("CND") for an amount of 0.9 billion US dollar. The put option was included in the 2012 shareholders' agreement between Ambev and ELJ. The transaction closed in January 2018 resulting in Ambev's participation in CND increasing from 55% to 85%.

## Selected financial figures

To facilitate the understanding of AB InBev's underlying performance, the comments in this management report, unless otherwise indicated, are based on organic and normalized numbers. "Organic" means the financials are analyzed eliminating the impact of changes in currencies on translation of foreign operations, and scopes. Scopes represent the impact of acquisitions and divestitures, the start-up or termination of activities or the transfer of activities between segments, curtailment gains and losses and year-over-year changes in accounting estimates and other assumptions that management does not consider part of the underlying performance of the business.

To facilitate the understanding of AB InBev's underlying performance the company is presenting in this management report the 2016 consolidated volumes and results up to Normalized EBIT on a 2016 Reference base and as such these financials are included in the organic growth calculation. The 2016 Reference base includes, for comparative purposes, the results of SAB business from the 1<sup>st</sup> January 2016.

The tables in this management report provide the segment information per region for the period ended 31 December 2017 and 2016 in the format up to Normalized EBIT level that is used by management to monitor performance. The differences between the 2016 Reference base and the 2016 income statement as Reported represent the effect of the combination with SAB. The profit, cash flow and balance sheet are presented as Reported in 2016. The results of the CEE Business were reported as "Results from discontinued operations" until the completion of the disposal that took place on 31 March 2017. The results of Distell were reported as share of results of associates until the completion of the sale that occurred on 12 April 2017, and accordingly, are excluded from normalized EBIT and EBITDA. Furthermore, the company stopped consolidating CCBA in its consolidated financial statements as from the completion of the CCBA disposal on 4 October 2017.

## Financial report

Whenever used in this report, the term "normalized" refers to performance measures (EBITDA, EBIT, Profit, EPS, effective tax rate) before non-recurring items and discontinued operations. Non-recurring items are either income or expenses which do not occur regularly as part of the normal activities of the company. They are presented separately because they are important for the understanding of the underlying sustainable performance of the company due to their size or nature. Normalized measures are additional measures used by management, and should not replace the measures determined in accordance with IFRS as an indicator of the company's performance, but rather should be used in conjunction with the most directly comparable IFRS measures.

The tables below set out the components of AB InBev's operating income and operating expenses, as well as the key cash flow figures

Million US dollar	2016 Reported	%	2016 Reference base	%
<b>Revenue<sup>1</sup></b>	<b>45 517</b>	<b>100%</b>	<b>53 942</b>	<b>100%</b>
Cost of sales	(17 803)	39%	(21 166)	39%
<b>Gross profit</b>	<b>27 715</b>	<b>61%</b>	<b>32 776</b>	<b>61%</b>
SG&A	(15 171)	33%	(18 111)	34%
Other operating income/(expenses)	732	2%	855	2%
<b>Normalized profit from operations (Normalized EBIT)</b>	<b>13 276</b>	<b>29%</b>	<b>15 520</b>	<b>29%</b>
Non-recurring items	(394)	–	–	–
<b>Profit from operations (EBIT)</b>	<b>12 882</b>	<b>28%</b>	<b>15 520</b>	<b>28%</b>
Depreciation, amortization and impairment	3 477	8%	4 113	8%
<b>Normalized EBITDA</b>	<b>16 753</b>	<b>37%</b>	<b>19 633</b>	<b>36%</b>
<b>EBITDA</b>	<b>16 360</b>	<b>36%</b>	<b>19 633</b>	<b>36%</b>
<b>Normalized profit attributable to equity holders of AB InBev</b>	<b>4 853</b>	<b>11%</b>	<b>5 853</b>	<b>11%</b>
<b>Profit from continuing operations attributable to equity holders of AB InBev</b>	<b>1 193</b>	<b>3%</b>	<b>1 193</b>	<b>3%</b>
<b>Profit attributable to equity holders of AB InBev</b>	<b>1 241</b>	<b>3%</b>	<b>1 241</b>	<b>3%</b>

Million US dollar	2016
<b>Operating activities</b>	
Profit	2 769
Interest, taxes and non-cash items included in profit	13 572
<b>Cash flow from operating activities before changes in working capital and use of provisions</b>	<b>16 341</b>
Change in working capital	173
Pension contributions and use of provisions	(470)
Interest and taxes (paid)/received	(5 977)
Dividends received	43
<b>Cash flow from operating activities</b>	<b>10 110</b>
<b>Investing activities</b>	
Net capex	(4 768)
Acquisition of SAB, net of cash acquired	(65 166)
Net of tax proceeds from SAB transaction-related divestitures	16 342
Acquisition and sale of subsidiaries, net of cash acquired/disposed of	(792)
Net of tax proceeds from the sale of assets held for sale	146
Proceeds from the sale/(acquisition) of investment in short-term debt securities	(5 583)
Other	(256)
<b>Cash flow from investing activities</b>	<b>(60 077)</b>
<b>Financing activities</b>	
Dividends paid	(8 450)
Net (payments on)/proceeds from borrowings	62 675
Other (including net finance (cost)/income other than interest)	(3 494)
<b>Cash flow from financing activities</b>	<b>50 731</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>764</b>

<sup>1</sup>Turnover less excise taxes. In many jurisdictions, excise taxes make up a large proportion of the cost of beer charged to the company's customers.

## Financial performance

Given the transformational nature of the combination with SAB, that closed on 10 October 2016, the company updated its 2016 segment reporting for purposes of results announcements and internal review by senior management. This presentation includes, for comparative purposes, the results of SAB from the 1<sup>st</sup> January 2016

AB InBev is presenting its results under six regions: North America, Latin America West, Latin America North, Latin America South, EMEA and Asia Pacific.

For further information on the basis under which the Reference Base was prepared, please refer to section *Adjusted segment information* presented in the 2016 Management Report.

The tables in this management report provide the segment information per region for the period ended 31 December 2017 and 2016 in the format down to Normalized EBIT level that is used by management to monitor performance. To facilitate the understanding of AB InBev's underlying performance the company is presenting in this management report the 2016 consolidated volumes and results down to Normalized EBIT on a 2016 Reference base and as such these financials are included in the organic growth calculation.

The profit, cash flow and balance sheet are presented as Reported in 2016

The tables below provide a summary of the performance of AB InBev for the period ended 31 December 2017 and 2016 (in million US dollar, except volumes in thousand hectoliters) and the related comments are based on organic numbers

AB INBEV WORLDWIDE	2016 Reference base	Scope <sup>1</sup>	Currency translation	Organic growth	Organic growth %
Volumes	615 880	(4 382)	-	1 073	0.2%
<b>Revenue</b>	<b>53 942</b>	<b>(784)</b>	<b>601</b>	<b>2 685</b>	<b>5.1%</b>
Cost of sales	(21 166)	521	(211)	(529)	(2.6)%
<b>Gross profit</b>	<b>32 776</b>	<b>(263)</b>	<b>390</b>	<b>2 155</b>	<b>6.7%</b>
SG&A	(18 111)	(58)	(217)	288	1.6%
Other operating income/(expenses)	855	(94)	36	58	7.6%
Normalized EBIT	15 520	(415)	208	2 501	16.5%
<b>Normalized EBITDA</b>	<b>19 633</b>	<b>(373)</b>	<b>255</b>	<b>2 569</b>	<b>13.4%</b>
Normalized EBITDA margin	36.4%				288 bps

In 2017 AB InBev delivered normalized EBITDA growth of 13.4%, while its normalized EBITDA margin increased 288 bps, reaching 39.1%

Consolidated volumes grew by 0.2%, with own beer volumes growing 0.6% and non-beer volumes decreasing 3.1%

Consolidated revenue grew by 5.1% to 56 444m US dollar, with revenue per hectoliter increasing 5.1%. On a constant geographic basis (i.e. eliminating the impact of faster growth in countries with lower revenue per hectoliter), revenue per hectoliter grew by 5.1%. Combined revenues of the three global brands, Budweiser, Stella Artois and Corona grew 9.8% and 16.8% outside of their respective home markets. Budweiser remains the world's most valuable brand, generating strong results in China, Brazil and South Korea with 4.1% revenue growth. Stella Artois continued its long-term trajectory, with revenue growth of 12.8% driven by sales in North America, repatriation in Australia and its entry into South Africa and other new markets. Corona grew by 19.9% globally, led by Mexico, China, Australia and Argentina.

Consolidated Cost of Sales (CoS) increased by 2.6% and by 2.6% on a per hectoliter basis. On a constant geographic basis, CoS per hectoliter increased by 3.1%.

### Volumes

The table below summarizes the volume evolution per region and the related comments are based on organic numbers. Volumes include not only brands that AB InBev owns or licenses, but also third party brands that the company brews as a subcontractor and third party products that it sells through AB InBev's distribution network, particularly in Europe. Volumes sold by the Global Export business, which includes the company's global headquarters and the export businesses which have not been allocated to the company's regions, are shown separately.

<sup>1</sup>See Glossary

## Financial report

Thousand hectoliters	2016 Reference base	Scope	Organic growth	Organic growth %
North America	116 890	423	(3 817)	(3.3)%
Latin America West	108 995	(98)	1 729	1.6%
Latin America North	119 757	(25)	(358)	(0.3)%
Latin America South	32 158	-	1 904	5.9%
EMEA	134 821	(4 157)	1 027	0.9%
Asia Pacific	101 320	148	518	0.5%
Global Export and Holding Companies	1 939	(673)	70	5.5%
<b>AB InBev Worldwide</b>	<b>615 880</b>	<b>(4 382)</b>	<b>1 073</b>	<b>0.2%</b>

**North America** total volumes decreased 3.3%. The company estimates that the United States industry beer sales-to-retailers adjusted for the number of selling days declined by 1.3%. On the same basis, the company estimates that its shipment volumes in the United States and its beer sales-to-retailers declined by 3.5% and 3.0% respectively. The Above Premium brand portfolio had a strong year, gaining 45 bps of share. Michelob Ultra led the growth in this segment, with volumes up by double-digits, continuing its run as the top share gainer in the US for the eleventh consecutive quarter. Stella Artois had a solid year as well, gaining share each quarter. The regional craft portfolio also performed well this year, growing volume and share. In the Premium and Premium Light segments, the company underperformed the industry with an estimated total market share loss of 40 bps for Budweiser and 85 bps for Bud Light. Budweiser saw improved brand health and consideration trends, as it amplified key cultural moments throughout the year. While the company continues to face challenges on Bud Light, it saw some encouraging signs. In the second half of 2017, the brand was prevalent across US pop-culture with its highly popular "Dilly-Dilly" campaign, making it the leading beer in social conversation in the fourth quarter and solidifying the brand's "Famous Among Friends" positioning.

Canada faced a challenging industry environment, however Bud Light remains the fastest growing brand in Canada, completing its 22nd consecutive year of market share growth. The portfolio mix continues to improve, bolstered by growth in craft portfolio and Stella Artois.

**Latin America West** total volumes increased 1.6%. The company delivered another solid year in Mexico, with volumes up mid-single digits. The full brand portfolio performed well throughout the year. Victoria built upon its strong momentum, driven by the ongoing success of its Mexican heritage positioning. Corona also performed well and Bud Light continued to grow volumes throughout the country, leveraging successful sports and music activations. In Colombia, non-beer volumes performed very well, growing by 10.3% in the year as a result of commercial initiatives and a favorable comparable, while beer volumes declined by 4.2% due to a challenging macroeconomic environment and tough comparable in the first half of 2017. Peru volumes were up low single digits, as a result of the company's commercial plans, with Cristal leveraging a key cultural moment by capitalizing on the country's World Cup qualification. Ecuador's volumes increased by low single-digits helped by packaging innovations as well as the launch of the three global brands, the company gained share of total alcohol this year and offered consumers more choice across a variety of price points.

**Latin America North** total volumes decreased 0.3%. The business in Brazil recovered well throughout the year and delivered its strongest results in the fourth quarter. For the full year, beer volume grew by 0.7% whereas the beer industry was slightly negative and soft drinks volumes declined by 4.3%. The premium portfolio continued broad-based, double-digit growth this year fueled by our three global brands, especially Budweiser.

**Latin America South** total volumes increased 5.9%. Argentina delivered a very strong performance, with volumes growing high single digit, fueled by the repositioning of Brahma as well as the successful launch of Quilmes Clásica and the accelerated growth of the premium portfolio led by Stella Artois, Corona and local craft brand Patagonia. The soft drink portfolio also performed well as a result of a new commercial and portfolio strategy, achieving its best result in more than six years.

**EMEA** total volumes increased 0.9% and own beer volumes increased 2.3%. In South Africa, beer volumes grew by 0.9%. The high end portfolio, led by Stella Artois, Corona and the recent seeding of Budweiser, showed consistent growth in volumes and market share, finishing the year with triple-digit growth. In the near beer segment, Flying Fish recorded over 60% growth. In the core plus segment, Castle Lite had another year of consistent growth. In Africa excluding South Africa, own beer volumes grew in the mid-teens this year. Own beer volumes grew double digit in the majority of the markets, including Nigeria, Tanzania, Uganda and Zambia as the company continues to expand the offerings to consumers through both affordability and premiumization strategies. Western Europe total volumes grew by 3.2%, achieving market share gains in the majority of the markets. The UK performed especially well, resulting from a strong commercial performance mainly related to the company's three global brands. In Eastern Europe, total volumes declined by mid single digits this year driven by the ongoing headwind of the large PET ban in Russia affecting the total industry. However, global and premium brands performed well throughout the year.

**Asia Pacific** total volumes increased 0.5%. In China, the company continued premiumization driving volume growth of 1.1% in an industry that is estimated to have declined. The company's brand portfolio benefited from strong consumer preference for premium brands. Budweiser grew nationally with some notable successes this year, including establishing itself as the leading beer brand in sales in e-commerce while in the core plus segment, Harbin Ice outperformed the industry nationally. The super premium portfolio, led by Corona, Hoegaarden, and Franziskaner, accelerated its growth throughout the year, with volumes almost doubling versus last year, establishing the company as market leader in all super premium beer styles in China. In Australia, the Great Northern franchise became the number one brand by volume this year as the company continues to fuel growth by addressing shifting consumer preferences. Global brands accelerated their growth throughout the year with volumes up in the mid-teens, driven by distribution gains as well as commercial activations.

## Operating activities by region

The tables below provide a summary of the performance of each region, for the period ended 31 December 2017 (in million US dollar, except volumes in thousand hectoliters) and the related comments are based on organic numbers

	2016 Reference base	Scope	Currency translation	Organic growth	Organic growth %
<b>AB INBEV WORLDWIDE</b>					
Volumes	615 880	(4 382)	-	1 073	0.2%
<b>Revenue</b>	<b>53 942</b>	<b>(784)</b>	<b>601</b>	<b>2 685</b>	<b>5.1%</b>
Cost of sales	(21 166)	521	(211)	(529)	(2.6)%
<b>Gross profit</b>	<b>32 776</b>	<b>(263)</b>	<b>390</b>	<b>2 155</b>	<b>6.7%</b>
SG&A	(18 111)	(58)	(217)	288	1.6%
Other operating income/(expenses)	855	(94)	36	58	7.6%
Normalized EBIT	15 520	(415)	208	2 501	16.5%
<b>Normalized EBITDA</b>	<b>19 633</b>	<b>(373)</b>	<b>255</b>	<b>2 569</b>	<b>13.4%</b>
Normalized EBITDA margin	36.4%				288 bps

	2016 Reference base	Scope	Currency translation	Organic growth	Organic growth %
<b>NORTH AMERICA</b>					
Volumes	116 890	423	-	(3 817)	(3.3)%
<b>Revenue</b>	<b>15 698</b>	<b>145</b>	<b>22</b>	<b>(277)</b>	<b>(1.8)%</b>
Cost of sales	(5 858)	(95)	(7)	183	3.1%
<b>Gross profit</b>	<b>9 841</b>	<b>49</b>	<b>16</b>	<b>(94)</b>	<b>(1.0)%</b>
SG&A	(4 438)	(66)	(9)	152	3.4%
Other operating income/(expenses)	39	-	-	(3)	(7.4)%
Normalized EBIT	5 441	(16)	7	54	1.0%
<b>Normalized EBITDA</b>	<b>6 250</b>	<b>(10)</b>	<b>8</b>	<b>81</b>	<b>1.3%</b>
Normalized EBITDA margin	39.8%				124 bps

	2016 Reference base	Scope	Currency translation	Organic growth	Organic growth %
<b>LATIN AMERICA WEST</b>					
Volumes	108 995	(98)	-	1 729	1.6%
<b>Revenue</b>	<b>8 595</b>	<b>(13)</b>	<b>14</b>	<b>642</b>	<b>7.5%</b>
Cost of sales	(2 488)	7	3	(77)	(3.1)%
<b>Gross profit</b>	<b>6 107</b>	<b>(5)</b>	<b>17</b>	<b>565</b>	<b>9.3%</b>
SG&A	(2 842)	(53)	1	17	0.6%
Other operating income/(expenses)	105	(50)	-	33	59.3%
Normalized EBIT	3 370	(107)	18	615	18.9%
<b>Normalized EBITDA</b>	<b>3 983</b>	<b>(109)</b>	<b>18</b>	<b>620</b>	<b>16.0%</b>
Normalized EBITDA margin	46.3%				358 bps

	2016 Reference base	Scope	Currency translation	Organic growth	Organic growth %
<b>LATIN AMERICA NORTH</b>					
Volumes	119 757	(25)	-	(358)	(0.3)%
<b>Revenue</b>	<b>8 630</b>	<b>(3)</b>	<b>624</b>	<b>524</b>	<b>6.1%</b>
Cost of sales	(3 239)	1	(236)	(269)	(8.3)%
<b>Gross profit</b>	<b>5 391</b>	<b>(3)</b>	<b>389</b>	<b>254</b>	<b>4.7%</b>
SG&A	(2 701)	(42)	(201)	(116)	(4.2)%
Other operating income/(expenses)	330	(2)	25	7	2.1%
Normalized EBIT	3 020	(46)	213	145	4.9%
<b>Normalized EBITDA</b>	<b>3 790</b>	<b>(46)</b>	<b>267</b>	<b>170</b>	<b>4.5%</b>
Normalized EBITDA margin	43.9%				(63) bps

## Financial report

	2016 Reference base	Scope	Currency translation	Organic growth	Organic growth %
<b>LATIN AMERICA SOUTH</b>					
Volumes	32 158	—	—	1 904	5.9%
<b>Revenue</b>	<b>2 850</b>	—	<b>(230)</b>	<b>743</b>	<b>26.1%</b>
Cost of sales	(927)	—	73	(354)	(38.2)%
<b>Gross profit</b>	<b>1 923</b>	—	<b>(157)</b>	<b>389</b>	<b>20.2%</b>
SG&A	(704)	(8)	57	(126)	(17.7)%
Other operating income/(expenses)	20	—	(1)	(6)	(29.6)%
Normalized EBIT	1 240	(8)	(101)	257	20.9%
<b>Normalized EBITDA</b>	<b>1 431</b>	<b>(8)</b>	<b>(115)</b>	<b>287</b>	<b>20.1%</b>
Normalized EBITDA margin	50.2%				(234) bps

	2016 Reference base	Scope	Currency translation	Organic growth	Organic growth %
<b>EMEA</b>					
Volumes	134 821	(4 157)	—	1 027	0.9%
<b>Revenue</b>	<b>9 700</b>	<b>(128)</b>	<b>207</b>	<b>565</b>	<b>6.3%</b>
Cost of sales	(4 381)	(19)	(73)	(136)	(3.5)%
<b>Gross profit</b>	<b>5 319</b>	<b>(147)</b>	<b>134</b>	<b>429</b>	<b>8.6%</b>
SG&A	(3 197)	(4)	(80)	(54)	(1.8)%
Other operating income/(expenses)	42	(2)	5	63	154.7%
Normalized EBIT	2 163	(153)	58	438	21.8%
<b>Normalized EBITDA</b>	<b>2 903</b>	<b>(112)</b>	<b>74</b>	<b>485</b>	<b>17.9%</b>
Normalized EBITDA margin	29.9%				331 bps

	2016 Reference base	Scope	Currency translation	Organic growth	Organic growth %
<b>ASIA PACIFIC</b>					
Volumes	101 320	148	—	518	0.5%
<b>Revenue</b>	<b>7 250</b>	<b>44</b>	<b>(36)</b>	<b>546</b>	<b>7.5%</b>
Cost of sales	(3 293)	(36)	28	99	3.0%
<b>Gross profit</b>	<b>3 958</b>	<b>8</b>	<b>(8)</b>	<b>645</b>	<b>16.3%</b>
SG&A	(2 747)	(61)	24	49	1.7%
Other operating income/(expenses)	163	(1)	(3)	8	4.8%
Normalized EBIT	1 374	(53)	14	701	53.0%
<b>Normalized EBITDA</b>	<b>2 114</b>	<b>(64)</b>	<b>2</b>	<b>643</b>	<b>31.2%</b>
Normalized EBITDA margin	29.2%				625 bps

	2016 Reference base	Scope	Currency translation	Organic growth	Organic growth %
<b>GLOBAL EXPORT AND HOLDING COMPANIES</b>					
Volumes	1 939	(673)	—	70	5.5%
<b>Revenue</b>	<b>1 218</b>	<b>(828)</b>	—	<b>(58)</b>	<b>(14.8)%</b>
Cost of sales	(980)	663	(1)	25	8.0%
<b>Gross profit</b>	<b>238</b>	<b>(165)</b>	<b>(1)</b>	<b>(33)</b>	<b>(42.4)%</b>
SG&A	(1 482)	174	(9)	367	28.9%
Other operating income/(expenses)	155	(41)	9	(44)	(38.9)%
Normalized EBIT	(1 089)	(31)	—	290	26.9%
<b>Normalized EBITDA</b>	<b>(837)</b>	<b>(24)</b>	<b>1</b>	<b>283</b>	<b>34.4%</b>

### Revenue

Consolidated revenue grew 5.1% to 56 444m US dollar with revenue per hectoliter increasing 5.1%. On a constant geographic basis (i.e. eliminating the impact of faster growth in countries with lower revenue per hectoliter), revenue per hectoliter grew by 5.1%, driven by the company's revenue management and brand mix as the company continues to implement its premiumization strategy around the world.



## Cost of sales

Cost of Sales (CoS) increased 2.6% or 2.6% on a per hectoliter basis. The increase in cost of sales was driven primarily by unfavorable transactional foreign exchange impacts, partially offset by synergy capture. On a constant geographic basis CoS per hectoliter increased by 3.1%.

## Operating expenses

Total operating expenses decreased 2.0% in 2017:

- **Selling, General & Administrative Expenses (SG&A)** decreased by 1.6%, with incremental investments behind the company's global brands and premium portfolio more than offset by synergy capture and optimization of the company's commercial investments.
- **Other operating income** increased by 7.6% in 2017, due to the sale of non-core assets and a reduction in operating expenses.

## Normalized profit from operations before depreciation and amortization (Normalized EBITDA)

Normalized EBITDA increased by 12.5% in nominal terms and 13.4% organically to 22,084m US dollar, with an EBITDA margin of 39.1%, and an organic growth of 288 bps.

- North America EBITDA increased 1.3% to 6,329m US dollar, with a margin enhancement of 124 bps to 40.6%, driven by the company's premiumization strategy, disciplined cost management, and continued optimization of commercial investments.
- Latin America West EBITDA increased 16.0% to 4,512m US dollar, with a margin enhancement of 358 bps to 48.8%, driven by strong top-line performance as well as synergy capture and cost discipline partially offset by operating leverage constraints in Mexico and increased SG&A in Colombia largely due to investments behind the global brand portfolio.
- Latin America North EBITDA increased 4.5% to 4,180m US dollar, with a margin contraction of 63 bps to 42.8%. Challenging first half results were offset by double-digit growth in the fourth quarter, as the company saw consumer environment gradually improving in the second half of the year and achieved its strongest performance in the fourth quarter.
- Latin America South EBITDA increased 20.1% to 1,595m US dollar, with a margin contraction of 234 bps to 47.4%, due to volume and revenue growth as a result of a new commercial and portfolio strategy.
- EMEA EBITDA increased 17.9% to 3,349m US dollar, with a margin expansion of 331 bps to 32.4%, with strong top-line growth combined with synergy capture in Africa and good performance in Western Europe driven by strong performances of the company's global brands and premium portfolio.
- Asia Pacific EBITDA increased 31.2% to 2,695m US dollar, with a margin expansion of 625 bps to 34.5%, driven by top-line growth and increased premiumization in China, as well as top-line growth as a result of several strong brand performances across the portfolio and commercial activations in Australia.
- Global Export and Holding Companies reported EBITDA of (577)m US dollar in the period ended 31 December 2017 (2016: (837)m US dollar).

Differences in normalized EBITDA margins by region are due to a number of factors such as different routes to market, share of returnable packaging in the region's sales and premium product mix.

## Reconciliation between normalized EBITDA and profit attributable to equity holders

Normalized EBITDA and EBIT are measures utilized by AB InBev to demonstrate the company's underlying performance.

Normalized EBITDA is calculated excluding profit from discontinued operations and the following effects from profit from continuing operations attributable to equity holders of AB InBev: (i) Non-controlling interest, (ii) Income tax expense, (iii) Share of results of associates, (iv) Net finance cost, (v) Non-recurring net finance cost, (vi) Non-recurring items above EBIT (including non-recurring impairment) and (vii) Depreciation, amortization and impairment.

Normalized EBITDA and EBIT are not accounting measures under IFRS accounting and should not be considered as an alternative to Profit from continuing operations attributable to equity holders as a measure of operational performance or as an alternative to cash flow as a measure of liquidity. Normalized EBITDA and EBIT do not have a standard calculation method and AB InBev's definition of normalized EBITDA and EBIT may not be comparable to that of other companies.

Million US dollar	Notes	2016 Reported
<b>Profit attributable to equity holders of AB InBev</b>		<b>1,241</b>
Non-controlling interest		1,528
<b>Profit</b>		<b>2,769</b>
Profit from discontinued operations		(48)
<b>Profit from continuing operations</b>		<b>2,721</b>
Income tax expense	12	1,613
Share of result of associates		(16)
Non-recurring net finance cost/(income)	8	3,356
Net finance cost	11	5,208
Non-recurring items above EBIT (including non-recurring impairment)	8	394
<b>Normalized EBIT</b>		<b>13,276</b>
Depreciation, amortization and impairment (excluding non-recurring impairment)		3,477
<b>Normalized EBITDA</b>		<b>16,753</b>

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Non-recurring items are either income or expenses which do not occur regularly as part of the normal activities of the company. They are presented separately because they are important for the understanding of the underlying sustainable performance of the company due to their size or nature. Details on the nature of the non-recurring items are disclosed in Note 8 *Non-recurring items*.

### Impact of foreign currencies

Foreign currency exchange rates have a significant impact on AB InBev's financial statements. The following table sets forth the percentage of its revenue realized by currency for the year ended 31 December 2017 and 31 December 2016:

	2016 Reference base
US dollar	29.5%
Brazilian real	13.3%
Chinese yuan	7.4%
Mexican peso	7.8%
South African rand	6.2%
Euro	5.7%
Colombian peso	3.7%
Argentinean peso	2.9%
Canadian dollar	3.4%
Australian dollar	2.4%
South Korean won	2.4%
Peruvian peso	2.5%
Dominican peso	1.6%
Pound sterling	1.5%
Other	9.7%

The following table sets forth the percentage of its normalized EBITDA realized by currency for the year ended 31 December 2017 and 31 December 2016:

	2016 Reference base
US dollar	28.5%
Brazilian real	16.2%
Chinese yuan	4.7%
Mexican peso	9.2%
South African rand	5.2%
Euro	3.1%
Colombian peso	5.3%
Argentinean peso	3.9%
Canadian dollar	3.6%
Australian dollar	3.4%
South Korean won	2.2%
Peruvian peso	3.4%
Dominican peso	2.0%
Pound sterling	1.0%
Other	8.3%

In 2017, the fluctuation of the foreign currency rates had a positive translation impact of 601m US dollar on AB InBev's revenue (2016: negative impact of (2 852)m US dollar), of 255m US dollar on its normalized EBITDA (2016: negative impact of (1 199)m US dollar) and of 208m US dollar on its normalized EBIT (2016: negative impact of (970)m US dollar).

AB InBev's profit (after tax) has been positively affected by the fluctuation of foreign currencies for 126m US dollar (2016: negative impact of (649)m US dollar), while the positive translation impact on its EPS (profit attributable to equity holders of AB InBev) was 100m US dollar or 0.05 US dollar per share (2016: negative impact of (505)m US dollar or (0.27) US dollar per share).

The impact of the fluctuation of the foreign currencies on AB InBev's net debt amounted to 4 184m US dollar (increase of net debt) in 2017, as compared to an impact of (349)m US dollar (decrease of net debt) in 2016. The impact of the fluctuation of the foreign currencies on the equity attributable to the equity holders of AB InBev amounted to 1 053m US dollar (increase of equity), as compared to an impact of (3 265)m US dollar (decrease of equity) in 2016 on a reported basis.

## Profit

Normalized profit attributable to equity holders of AB InBev was 7 967m US dollar (normalized EPS 4.04 US dollar) in 2017, compared to 4 853m US dollar (normalized EPS 2.83 US dollar) in 2016 (see Note 23 *Changes in equity and earnings per share* for more details). Profit attributable to equity holders of AB InBev for 2017 was 7 996m US dollar, compared to 1 241m US dollar for 2016 and includes the following impacts:

- *Net finance costs (excluding non-recurring net finance items)*: 5 814m US dollar in 2017 compared to 5 208m US dollar in 2016. This increase was primarily driven by the annualization impact of the additional debt related to the SAB combination as well as the legacy SAB debt. Other finance results include net losses on hedging instruments, foreign exchange losses, and a negative mark-to-market adjustment of 291m US dollar, linked to the hedging of the company's share-based payment programs, compared to a loss of 384m US dollar last year and negative foreign exchange translation adjustments.
- *Non-recurring net finance income/(cost)*: (693)m US dollar in 2017 compared to (3 356)m US dollar in 2016. Non-recurring net finance costs in 2017 include non-cash foreign exchange translation losses on intragroup loans that were historically reported in equity and were recycled to profit and loss account, upon the reimbursement of these loans. Furthermore, the 2017 non-recurring net finance cost includes mark-to-market losses on derivative instruments entered into to hedge the deferred share instrument issued in a transaction related to the combination with Grupo Modelo, and derivative instruments entered into to hedge part of the restricted shares issued in relation to the combination with SAB. The 2016 non-recurring net finance costs include a negative mark-to-market adjustment of 2 693m US dollar, related to the portion of the foreign exchange hedging of the purchase price of the combination with SAB that did not qualify for hedge accounting under IFRS rules. Furthermore, the 2016 non-recurring net finance costs include commitment fees for the 2015 committed senior acquisition facilities, as well as costs linked to the early redemption of SAB bonds.
- *Income tax expense*: 1 920m US dollar in 2017 with an effective tax rate of 18.0% compared to 1 613m US dollar in 2016 with an effective tax rate of 37.4%. The 2017 effective tax rate was positively impacted by a 1.8 billion US dollar adjustment following the US tax reform enacted on 22 December 2017. This 1.8 billion US dollar adjustment results mainly from the remeasurement of the deferred tax liabilities set up in 2008 in line with IFRS as part of the purchase price accounting of the combination with Anheuser-Busch following the change in federal tax rate from 35% to 21%. The adjustment represents the company's current best estimate of the deferred tax liability remeasurement resulting from the US Tax reform and is recognized as a non-recurring gain per 31 December 2017. The estimate will be updated in 2018 once the company will have analyzed all necessary information to complete the exhaustive computation. This impact was partially offset by Ambev and certain of its subsidiaries joining the Brazilian Tax Regularization Program in September 2017 whereby Ambev committed to pay some tax contingencies that were under dispute, totaling 3.5 billion Brazilian real (1.1 billion US dollar), with 1.0 billion Brazilian real (0.3 billion US dollar) paid in 2017 and the remaining amount payable in 145 monthly installments starting January 2018, plus interest. Within these contingencies, a dispute related to presumed taxation at Ambev's subsidiary CRBs was not provided for until September 2017 as the loss was previously assessed as possible. The total amount recognized as non-recurring amount to 2.9 billion Brazilian real (0.9 billion US dollar) of which 2.8 billion Brazilian real (0.9 billion US dollar) is reported in the income tax line and 141m Brazilian real (44m US dollar) in the finance line. The 2016 effective tax rate was negatively impacted by the non-deductible negative mark-to-market adjustment related to the hedging of the purchase price of the combination with SAB that could not qualify for hedge accounting. The normalized effective tax rate for the period ended 31 December 2017 is 22.9% (2016: 20.9%).
- *Profit attributable to non-controlling interest*: 1 187m US dollar in 2017 compared to 1 528m US dollar in 2016, mainly as a result of the impact of the combination with SAB being more than offset by the Brazilian Tax Regularization Program.
- *Profit from discontinued operations* relates to the results of the CEE Business reported until the completion of the disposal that took place on 31 March 2017.

## Liquidity position and capital resources

### Cash flows

Million US dollar	2016
Cash flow from operating activities	10 110
Cash flow from investing activities	(60 077)
Cash flow from financing activities	50 731
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>764</b>

### Cash flows from operating activities

Million US dollar	2016
Profit	2 769
Interest, taxes and non-cash items included in profit	13 572
<b>Cash flow from operating activities before changes in working capital and use of provisions</b>	<b>16 341</b>
Change in working capital	173
Pension contributions and use of provisions	(470)
Interest and taxes (paid)/received	(5 977)
Dividends received	43
<b>Cash flow from operating activities</b>	<b>10 110</b>

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AB InBev's cash flow from operating activities reached 15 430m US dollar in 2017 compared to 10 110m US dollar in 2016. The year over year change is mainly explained by increased profit following the SAB combination.

### Cash flow from investing activities

Million US dollar	2016
Net capex	(4 768)
Acquisition of SAB, net of cash acquired	(65 166)
Net of tax proceeds from SAB transaction-related divestitures	16 342
Acquisition and sale of subsidiaries, net of cash acquired/disposed of	(792)
Net of tax proceeds from the sale of assets held for sale	146
Proceeds from the sale/(acquisition) of investment in short-term debt securities	(5 583)
Other	(256)
<b>Cash flow from investing activities</b>	<b>(60 077)</b>

Net cash inflow from investing activities was 7 854m US dollar in 2017 as compared to a net cash used of 60 077m US dollar in 2016. The cash flow from investing activities mainly reflects the proceeds from the announced divestitures completed during 2017, net of taxes paid in 2017 on prior year divestitures. The 2016 cash flow from investing activities is mainly impacted by the payment associated with the combination with SAB net of the cash acquired and the proceeds from the announced divestitures.

AB InBev's net capital expenditures amounted to 4 124m US dollar in 2017 and 4 768m US dollar in 2016. Out of the total 2017 capital expenditures approximately 45% was used to improve the company's production facilities while 30% was used for logistics and commercial investments and 25% was used for improving administrative capabilities and purchase of hardware and software.

### Cash flow from financing activities

Million US dollar	2016
Dividends paid	(8 450)
Net (payments on)/proceeds from borrowings	62 675
Other (including net finance (cost)/income other than interest)	(3 494)
<b>Cash flow from financing activities</b>	<b>50 731</b>

The cash outflow from AB InBev's financing activities amounted to 21 004m US dollar in 2017, as compared to a cash inflow of 50 731m US dollar in 2016.

During 2017, the company repaid 8 billion US dollar outstanding under the Term Loan B. This Term Loan was the last remaining facility of the 75 billion US dollar senior facilities raised in October 2015 to finance the combination with SAB. See also Note 24 *Interest-bearing loans and borrowings*. The cash inflow from financing activities in 2016 reflected the funding of the combination with SAB.

AB InBev's cash, cash equivalents and short-term investments in debt securities less bank overdrafts as of 31 December 2017 amounted to 11 659m US dollar. As of 31 December 2017, the company had total liquidity of 20 659m US dollar, which consisted of 9 billion US dollar available under committed long-term credit facilities and 11 659m US dollar of cash, cash equivalents and short-term investments in debt securities less bank overdrafts. Although the company may borrow such amounts to meet its liquidity needs, the company principally relies on cash flows from operating activities to fund the company's continuing operation.

## Capital resources and equity

AB InBev's net debt decreased to 104.4 billion US dollar as of 31 December 2017, from 108.0 billion US dollar as of 31 December 2016.

Net debt is defined as non-current and current interest-bearing loans and borrowings and bank overdrafts minus debt securities and cash. Net debt is a financial performance indicator that is used by AB InBev's management to highlight changes in the company's overall liquidity position. The company believes that net debt is meaningful for investors as it is one of the primary measures AB InBev's management uses when evaluating its progress towards deleveraging.

Apart from operating results net of capital expenditures, the net debt is mainly impacted by the proceeds from the announced divestitures completed during 2017 (11.7 billion US dollar), the payment of taxes on disposals completed in 2016 (3.4 billion US dollar), dividend payments to shareholders of AB InBev and Ambev (9.3 billion US dollar), the payment of interests and taxes (6.0 billion US dollar) and the impact of changes in foreign exchange rates (4.2 billion US dollar increase of net debt).

Net debt to normalized EBITDA decreased from 5.5x on an amended basis for the 12-month period ending 31 December 2016, incorporating the Reference base EBITDA of the combined group from 1 January 2016 until December 2016, to 4.8x on an amended basis for the 12-month period ending 31 December 2017. The 2017 net debt to EBITDA calculation excludes any EBITDA from CCBA, the CEE business and the stake in Distell which were divested during 2017. The 2016 net debt to EBITDA calculation excludes any EBITDA from the CEE business and the stake in Distell.

Consolidated equity attributable to equity holders of AB InBev as at 31 December 2017 was 72 585m US dollar, compared to 71 339m US dollar as at 31 December 2016. The combined effect of the strengthening of mainly the closing rates of the Australian dollar, the Canadian dollar, the Chinese yuan, the euro, the Mexican peso, the Peruvian nuevo sol, the South African rand and the South Korean won and the weakening of mainly the closing rates of the Argentinean peso, the Brazilian real and the Nigerian naira resulted in a positive foreign exchange translation adjustment of 1 053m US dollar. Further details on equity movements can be found in the consolidated statement of changes in equity.

Further details on interest-bearing loans and borrowings, repayment schedules and liquidity risk, are disclosed in Note 24 *Interest-bearing loans and borrowings* and Note 29 *Risks arising from financial instruments*.

As of 31 December 2017, the company's credit rating from Standard & Poor's was A- for long-term obligations and A-2 for short-term obligations, with a negative outlook, and the company's credit rating from Moody's Investors Service was A3 for long-term obligations and P-2 for short-term obligations, with a stable outlook.

## Research and development

Given its focus on innovation, AB InBev places a high value on research and development. In 2017, AB InBev spent 276m US dollar in research and development (2016: 244m US dollar). The spend focused on product innovations, market research, as well as process optimization and product development.

Research and development in product innovation covers liquid, packaging and draft innovation. Product innovation consists of breakthrough innovation, incremental innovation and renovation. The main goal for the innovation process is to provide consumers with better products and experiences. This implies launching new liquid, new packaging and new draught products that deliver better performance both for the consumer and in terms of top-line results, by increasing AB InBev's competitiveness in the relevant markets. With consumers comparing products and experiences offered across very different drink categories and the offering of beverages increasing, AB InBev's research and development efforts also require an understanding of the strengths and weaknesses of other beverage categories, spotting opportunities for beer and developing consumer solutions (products) that better address consumer need and deliver better experience. This requires understanding consumer emotions and expectations. Sensory experience, premiumization, convenience, sustainability and design are all central to AB InBev's research and development efforts.

Research and development in process optimization is primarily aimed at quality improvement, capacity increase (plant debottlenecking and addressing volume issues, while minimizing capital expenditure) and improving efficiency. Newly developed processes, materials and/or equipment are documented in best practices and shared across business regions. Current projects range from malting to bottling of finished products.

Knowledge management and learning is also an integral part of research and development. AB InBev seeks to continuously increase its knowledge through collaborations with universities and other industries.

AB InBev's research and development team is briefed annually on the company's and the business regions' priorities and approves concepts which are subsequently prioritized for development. The research & development teams invest in both short and long-term strategic projects for future growth, with the launch time depending on complexity and prioritization. Launch time usually falls within the next calendar year.

The Global Innovation and Technology Center ("GITeC"), located in Leuven, accommodates the Packaging, Product, Process Development teams and facilities such as Labs, Experimental Brewery and the European Central Lab, which also includes Sensory Analysis. In addition to GITeC, AB InBev also has Product, Packaging and Process development teams located in each of the AB InBev geographic regions focusing on the short-term needs of such regions.

## Risks and uncertainties

Under the explicit understanding that this is not an exhaustive list, AB InBev's major risk factors and uncertainties are listed below. There may be additional risks which AB InBev is unaware of. There may also be risks AB InBev now believes to be immaterial, but which could turn out to have a material adverse effect. Moreover, if and to the extent that any of the risks described below materialize, they may occur in combination with other risks which would compound the adverse effect of such risks. The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or of the potential magnitude of their financial consequence.

### Risks relating to AB InBev and the beer and beverage industry

AB InBev 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 favorable image and reputation for new products. An event, or series of events, that materially damages the reputation of one or more of AB InBev'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 may constrain AB InBev's brand building potential and thus reduce the value of its brands and related revenues.

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AB InBev 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 AB InBev's ability to develop its business

Certain of AB InBev's operations depend on independent distributors' or wholesalers' efforts to sell AB InBev's products and there can be no assurance that such distributors will not give priority to AB InBev's competitors. Further, any inability of AB InBev to replace unproductive or inefficient distributors or any limitations imposed on AB InBev 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 AB InBev'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 AB InBev's results of operations to the extent that AB InBev fails to adequately manage the risks inherent in such volatility, including if AB InBev's hedging and derivative arrangements do not effectively or completely hedge changes in commodity prices.

AB InBev relies on key third parties, including key suppliers, for a range of raw materials for its beer, alcoholic beverages and soft drinks, and for packaging material. The termination of or a 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 AB InBev's production, distribution and sale of beer, alcoholic beverages and soft drinks and have a material adverse effect on AB InBev's business, results of operations, cash flows or financial condition. Certain of AB InBev's subsidiaries may purchase nearly all their key packaging materials from sole suppliers under multi-year contracts. The loss of or temporary discontinuity of supply from any of these suppliers without sufficient time to develop an alternative source could cause AB InBev to spend increased amounts on supplies in the future. In addition, a number of key brand names are both licensed to third-party brewers and used by companies over which AB InBev does not have control. Although AB InBev monitors brewing quality to ensure its high standards, to the extent that one of these key brand names or joint ventures, companies in which AB InBev does not own a controlling interest and/or AB InBev's licensees are subject to negative publicity, it could have a material adverse effect on AB InBev's business, results of operations, cash flows or financial condition.

Competition and changing consumer preferences in its various markets and increased purchasing power of players in AB InBev's distribution channels could cause AB InBev to reduce prices of its products, increase capital investment, increase marketing and other expenditures or prevent AB InBev from increasing prices to recover higher costs and thereby cause AB InBev to reduce margins or lose market share. Any of the foregoing could have a material adverse effect on AB InBev's business, financial condition and results of operations. Also, innovation faces inherent risks, and the new products AB InBev introduces may not be successful, while competitors may be able to respond more quickly 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 AB InBev operates could result in reduced profitability for the beer industry as a whole and indirectly adversely affect AB InBev's financial results.

AB InBev could incur significant costs as a result of compliance with, and/or violations of or liabilities under, various regulations that govern AB InBev's operations or the operations of its licensed third parties, including the General Data Protection Regulation adopted in the European Union, which must be fully implemented by May 2018. Also, public concern about beer, alcoholic beverages and soft drink consumption and any resulting restrictions may cause the social acceptability of beer, alcoholic beverages and soft drinks to decline significantly and consumption trends to shift away from these products, which would have a material adverse effect on AB InBev's business, financial condition and results of operations.

AB InBev's operations are subject to environmental regulations, which could expose it to significant compliance costs and litigation relating to environmental issues.

Antitrust and competition laws and changes in such laws or in the interpretation and enforcement thereof, as well as being subject to regulatory scrutiny, could affect AB InBev's business or the businesses of its subsidiaries. For example, in connection with AB InBev's previous acquisitions, various regulatory authorities have imposed (and may impose) conditions with which AB InBev is required to comply. The terms and conditions of certain of such authorizations, approvals and/or clearances required, among other things, the divestiture of the company's assets or businesses to third parties, changes to the company's operations, or other restrictions on the company's ability to operate in certain jurisdictions. Such actions could have a material adverse effect on AB InBev's business, results of operations, financial condition and prospects. In addition, such conditions could diminish substantially the synergies and advantages which the company expect to achieve from such future transactions.

In recent years, there has been increased public and political attention directed at the alcoholic beverage and food and soft drinks industries, as a result of health care concerns related to the harmful use of alcohol (including drunk driving, drinking while pregnant and excessive, abusive and underage drinking) and to health concerns such as diabetes and obesity related to the overconsumption of food and soft drinks. Negative publicity regarding AB InBev's products and brands, publication of studies indicating a significant risk in using AB InBev's products or changes in consumer perceptions in relation to AB InBev's products generally could adversely affect the sale and consumption of AB InBev's products and could harm its business, results of operations, cash flows or financial condition. Concerns over alcohol abuse and underage drinking have also caused governments, including those in Argentina, Brazil, Spain, Russia, the United Kingdom, South Africa, Australia and the United States, to consider measures such as increased taxation, implementation of minimum alcohol pricing regimes or other changes to the regulatory framework governing AB InBev's marketing and other commercial practices.

AB InBev may be 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 and other indirect taxes applicable to AB InBev's products tend to adversely affect AB InBev's revenue or margins, both by reducing overall consumption and by encouraging consumers to switch to other categories of beverages. Minimum pricing is another form

of fiscal regulation that can affect AB InBev's profitability. Furthermore, AB InBev may be subject to increased taxation on its operations by national, local or foreign authorities, to higher corporate income tax rates or to new or modified taxation regulations and requirements. For example, the work being carried out by the Organisation for Economic Co-operation and Development on base erosion and profit shifting or initiatives at the European Union level (including the anti-tax-avoidance directive adopted by the Council of the European Union on 12 July 2016) as a response to increasing globalization of trade and business operations could result in changes in tax treaties, the introduction of new legislation, updates to existing legislation, or changes to regulatory interpretations of existing legislation, any of which could impose additional taxes on businesses. An increase in excise taxes or other taxes could adversely affect the financial results of AB InBev as well as its results of operations. Furthermore, the US tax reform signed on 22 December 2017 (the "Tax Act") brings major tax legislation changes into law. While the Tax Act reduces the statutory rate of U.S. federal corporate income tax to 21% and provides an exemption for certain dividends from 10%-owned foreign subsidiaries, the Tax Act expands the tax base by introducing further limitations on deductibility of interest, the imposition of a "base erosion and anti-abuse tax" and the imposition of minimum tax for "global intangible low-tax income", among other changes, which would adversely impact the company's results of operations. The overall impact of the Tax Act also depends on the future interpretations and regulations that may be issued by U.S. tax authorities, and it is possible that future guidance could adversely impact the financial results of the company.

Climate change or other environmental concerns, or legal, regulatory or market measures to address climate change or other environmental concerns, could have a long-term, material adverse impact on AB InBev's business and results of operations. Further, water scarcity or poor water quality may affect AB InBev by increasing production costs and capacity constraints, which could adversely affect AB InBev's business and results of operations. Additionally, AB InBev's inability to meet its compliance obligations under EU emissions trading regulations may also have an adverse impact on AB InBev's business and results of operations.

A substantial portion of AB InBev's operations are carried out in developing European, African, Asian and Latin American markets. AB InBev's operations and equity investments in these markets are subject to the customary risks of operating in developing countries, which include, amongst others, political instability or insurrection, external interference, changes in government policy, political and economic changes, changes in the relations between the countries, actions of governmental authorities affecting trade and foreign investment, regulations on repatriation of funds, interpretation and application of local laws and regulations, enforceability of intellectual property and contract rights, local labor conditions and regulations, potential political and economic uncertainty, application of exchange controls, nationalization or expropriation, crime and lack of law enforcement as well as financial risks, which include risk of liquidity, inflation, devaluation, price volatility, currency convertibility and country default. Moreover, the economies of developing countries are often affected by changes in other developing market countries, and, accordingly, adverse changes in developing markets elsewhere in the world could have a negative impact on the markets in which AB InBev operates. Such developing market risks could adversely impact AB InBev's business, results of operations and financial condition.

If any of AB InBev's products is defective or found to contain contaminants, AB InBev may be subject to product recalls or other liabilities. Although AB InBev maintains insurance policies against certain product liability (but not product recall) risks, it may not be able to enforce its rights in respect of these policies and any amounts it recovers may not be sufficient to offset any damage it may suffer, which could adversely impact its business, reputation, prospects, results of operations and financial condition.

AB InBev may not be able to obtain the necessary funding for its future capital or refinancing needs and may face financial risks due to its level of debt and uncertain market conditions. AB InBev may be required to raise additional funds for AB InBev's future capital needs or refinance its current indebtedness through public or private financing, strategic relationships or other arrangements and there can be no assurance that the funding, if needed, will be available on attractive terms, or at all. AB InBev has incurred substantial indebtedness by entering into several senior credit facilities and accessing the bond markets from time to time based on its financial needs, including as a result of the acquisition of SAB. The portion of AB InBev's consolidated balance sheet represented by debt will remain significantly higher as compared to its historical position. AB InBev's increased level of debt could have significant adverse consequences on AB InBev, including (i) increasing its vulnerability to general adverse economic and industry conditions, (ii) limiting its flexibility in planning for, or reacting to, changes in its business and the industry in which AB InBev operates, (iii) impairing its ability to obtain additional financing in the future and limiting its ability to fund future working capital and capital expenditures, to engage in future acquisitions or development activities or to otherwise realize the value of its assets and opportunities fully, (iv) requiring AB InBev to issue additional equity (potentially under unfavorable market conditions), and (v) placing AB InBev at a competitive disadvantage compared to its competitors that have less debt. AB InBev's ability to repay and renegotiate its outstanding indebtedness will be dependent upon market conditions. Unfavorable conditions, including significant price volatility and liquidity disruptions in the global credit markets in recent years, as well as downward pressure on credit capacity for certain issuers without regard to those issuers' underlying financial strength, could increase costs beyond what is currently anticipated. Such costs could have a material adverse impact on AB InBev's cash flows, results of operations or both. Further, AB InBev may restrict the amount of dividends it will pay as a result of AB InBev's level of debt and its strategy to give priority to deleveraging. Also, a credit rating downgrade could have a material adverse effect on AB InBev's ability to finance its ongoing operations or to refinance its existing indebtedness. In addition, a failure of AB InBev to refinance all or a substantial amount of its debt obligations when they become due, or more generally a failure to raise additional equity capital or debt financing or to realize proceeds from asset sales when needed, would have a material adverse effect on its financial condition and results of operations.

AB InBev's results could be negatively affected by increasing interest rates. Although AB InBev enters into interest rate swap agreements to manage its interest rate risk and also enters into cross-currency interest rate swap agreements to manage both its foreign currency risk and interest-rate risk on interest-bearing financial liabilities, there can be no assurance that such instruments will be successful in reducing the risks inherent in exposures to interest rate fluctuations.

AB InBev's results of operations are affected by fluctuations in exchange rates. Any change in exchange rates between AB InBev's operating companies' functional currencies and the US dollar will affect its consolidated income statement and balance sheet when the results of those operating companies are translated into US dollar for reporting purposes as translational exposures are not hedged. Also, there can be no

## Financial report

assurance that the policies in place to manage commodity price and transactional foreign currency risks to protect AB InBev's exposure will be able to successfully hedge against the effects of such foreign exchange exposure, especially over the long-term. Further, the use of financial instruments to mitigate currency risk and any other efforts taken to better match the effective currencies of AB InBev's liabilities to its cash flows could result in increased costs.

AB InBev's ordinary shares currently trade on Euronext Brussels in euros, the Johannesburg Stock Exchange in South African rand, the Mexican Stock Exchange in Mexican pesos and its ordinary shares represented by American Depositary Shares (the "ADSs") trade on the New York Stock Exchange in U.S. dollars. Fluctuations in the exchange rates between the euro, the South African rand, the Mexican peso and the U.S. dollar may result in temporary differences between the value of AB InBev's ordinary shares trading in different currencies, and between its ordinary shares and its ADSs, which may result in heavy trading by investors seeking to exploit such differences.

The ability of AB InBev's subsidiaries to distribute cash upstream may be subject to various conditions and limitations. The inability to obtain sufficient cash flows from its domestic and foreign subsidiaries and affiliated companies could adversely impact AB InBev's ability to pay dividends and otherwise negatively impact its business, results of operations and financial condition.

Failure to generate significant cost savings and margin improvement through initiatives for improving operational efficiencies could adversely affect AB InBev's profitability and AB InBev's ability to achieve its financial goals. A number of AB InBev's subsidiaries are in the process of executing a major cost saving and efficiency program and AB InBev is pursuing a number of initiatives to improve operational efficiency. If AB InBev fails for any reason to successfully complete these measures and programs as planned or to derive the expected benefits from these measures and programs, there is a risk of increased costs associated with these efforts, delays in benefit realization, disruption to the business, reputational damage or a reduced competitive advantage in the medium term.

AB InBev reached a settlement with the U.S. Department of Justice in relation to the combination with Grupo Modelo, which included a three-year transition services agreement to ensure the smooth transition of the operation of the Piedras Negras brewery as well as certain distribution guarantees for Constellation Brands, Inc. in the fifty states of the United States, the District of Columbia and Guam. AB InBev's compliance with its obligations under the settlement agreement is monitored by the U.S. Department of Justice and the Monitoring Trustee appointed by them. Were AB InBev to fail to fulfill its obligations under the settlement, whether intentionally or inadvertently, AB InBev could be subject to monetary fines.

AB InBev entered into a consent decree with the U.S. Department of Justice in relation to the combination with SAB, pursuant to which AB InBev's subsidiary, Anheuser-Busch Companies, LLC, agreed not to acquire control of a distributor if doing so would result in more than 10% of its annual volume being distributed through distributorships controlled by AB InBev in the U.S. AB InBev's compliance with its obligations under the settlement agreement is monitored by the U.S. Department of Justice and the Monitoring Trustee appointed by them. Were AB InBev to fail to fulfill its obligations under the consent decree, whether intentionally or inadvertently, AB InBev could be subject to monetary fines.

If the business of AB InBev 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 AB InBev's results of operations and financial condition.

Although AB InBev's operations in Cuba are quantitatively immaterial, its overall business reputation may suffer or it may face additional regulatory scrutiny as a result of Cuba being a target of U.S. economic and trade sanctions. If investors decide to liquidate or otherwise divest their investments in companies that have operations of any magnitude in Cuba, the market in and value of AB InBev's securities could be adversely impacted. In addition, U.S. legislation known as the "Helms-Burton Act" authorizes private lawsuits for damages against anyone who traffics in property confiscated without compensation by the Government of Cuba from persons who at the time were, or have since become, nationals of the United States. Although this section of the Helms-Burton Act is currently suspended, claims accrue notwithstanding the suspension and may be asserted if the suspension is discontinued. AB InBev has received notice of a claim purporting to be made under the Helms-Burton Act. AB InBev is currently unable to express a view as to the validity of such claims, or as to the standing of the claimants to pursue them.

AB InBev may not be able to recruit or retain key personnel and successfully manage them, which could disrupt AB InBev's business and have an unfavorable material effect on AB InBev's financial position, its income from operations and its competitive position.

Further, AB InBev may be exposed to labor strikes, disputes and work stoppages or slowdowns, within its operations or those of its suppliers, or an interruption or shortage of raw materials for any other reason that could lead to a negative impact on AB InBev's costs, earnings, financial condition, production level and ability to operate its business. AB InBev's production may also be affected by work stoppages or slowdowns that affect its suppliers, distributors and retail delivery/logistics providers as a result of disputes under existing collective labor agreements with labor unions, in connection with negotiations of new collective labor agreements, as a result of supplier financial distress or for other reasons. A work stoppage or slowdown at AB InBev's facilities could interrupt the transport of raw materials from its suppliers or the transport of its products to its customers. Such disruptions could put a strain on AB InBev's relationships with suppliers and clients and may have lasting effects on its business even after the disputes with its labor force have been resolved, including as a result of negative publicity.

AB InBev relies on information technology systems to process, transmit, and store electronic information. Although AB InBev takes various actions to prevent cyber-attacks and to minimize potential technology disruptions, such disruptions could impact AB InBev's business. For example, if outside parties gained access to AB InBev's confidential data or strategic information and appropriated such information or made such information public, this could harm AB InBev's reputation or its competitive advantage. More generally, technology disruptions could have a material adverse effect on AB InBev's business, results of operations, cash flows or financial condition.



The size of AB InBev, contractual limitations it is subject to and its position in the markets in which it operates may decrease its ability to successfully carry out further acquisitions and business integrations. AB InBev cannot enter into further transactions unless it can identify suitable candidates and agree on the terms with them. The size of AB InBev and its position in the markets in which it operates may make it harder to identify suitable candidates, including because it may be harder for AB InBev to obtain regulatory approval for future transactions. If appropriate opportunities do become available, AB InBev may seek to acquire or invest in other businesses, however, any future acquisition may pose regulatory, anti-trust and other risks.

AB InBev's business and operating results could be negatively impacted by social, technical, natural, physical or other disasters.

Although AB InBev maintains insurance policies to cover various risks, it also uses self-insurance for most of its insurable risks. Should an uninsured loss or a loss in excess of insured limits occur, this could adversely impact AB InBev's business, results of operations and financial condition.

AB InBev is exposed to the risk of a global recession or a recession in one or more of its key markets, and to credit and capital market volatility and economic financial crisis, which could result in lower revenue and reduced profit, as beer consumption in many of the jurisdictions in which AB InBev operates is closely linked to general economic conditions and changes in disposable income. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on AB InBev's ability to access capital, on its business, results of operations and financial condition, and on the market price of its shares and American Depositary Shares.

AB InBev operates its business and markets its products in certain countries that, as a result of political and economic instability, a lack of well-developed legal systems and potentially corrupt business environments, present it with political, economic and operational risks. Although AB InBev is committed to conducting business in a legal and ethical manner in compliance with local and international statutory requirements and standards applicable to its business, there is a risk that the employees or representatives of AB InBev's subsidiaries, affiliates, associates, joint ventures/operations or other business interests may take actions that violate applicable laws and regulations that generally prohibit the making of improper payments to foreign government officials for the purpose of obtaining or keeping business, including laws relating to the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act.

The audit report included in AB InBev's annual report is prepared by an auditor who is not inspected by the US Public Company Accounting Oversight Board (PCAOB). This lack of PCAOB inspections in Belgium prevents the PCAOB from regularly evaluating audits and quality control procedures of any auditors operating in Belgium, including AB InBev's auditors. As a result, US and other investors may be deprived of the benefits of PCAOB inspections.

AB InBev is now, and may in the future be, a party to legal proceedings and claims, including collective suits (class actions), and significant damages may be asserted against it. Given the inherent uncertainty of litigation, it is possible that AB InBev might incur liabilities as a consequence of the proceedings and claims brought against it, including those that are not currently believed by it to be reasonably possible, which could have a material adverse effect on AB InBev's business, results of operations, cash flows or financial position. Important contingencies are disclosed in Note 32 *Contingencies* of the consolidated financial statements.

AB InBev may not be able to successfully complete the integration of the SAB business or fully realize the anticipated benefits and synergies of the combination with SAB, and any such benefits and synergies will be offset by the significant transaction fees and other costs AB InBev incurred in connection with the Combination. The integration process involves inherent costs and uncertainties, which uncertainties are exacerbated because SAB was active in new or developing markets in which AB InBev did not have significant operations. Additionally, the Tax Matters Agreement AB InBev has entered into with Altria Group Inc. imposes some limits on the ability of the Combined Group to effect some group reorganizations, which may limit its capacity to integrate SAB's operations.

As a result of the combination with SAB, AB InBev recognized a significant amount of incremental goodwill on its balance sheet. If the integration of the businesses meets with unexpected difficulties, or if the business of AB InBev does not develop as expected, impairment charges may be incurred in the future that could be significant and that could have an adverse effect on its results of operations and financial condition.

A portion of the company's global portfolio consists of associates in new or developing markets, including investments where the company may have a lesser degree of control over the business operations. The company faces several challenges inherent to these various culturally and geographically diverse business interests. Although the company works with its associates on the implementation of appropriate processes and controls, the company also faces additional risks and uncertainties with respect to these minority investments because the company may be dependent on systems, controls and personnel that are not under the company's control, such as the risk that the company's associates may violate applicable laws and regulations, which could have an adverse effect on the company's business, reputation, results of operations and financial condition.

## Risks arising from financial instruments

Note 29 of the 2017 consolidated financial statements on *Risks arising from financial instruments* contains detailed information on the company's exposures to financial risks and its risk management policies.

## **Financial report**

### **Events after the balance sheet date**

Please refer to Note 35 *Events after the balance sheet date* of the consolidated financial statements

### **Corporate governance**

For information with respect to Corporate Governance, please refer to the Corporate Governance section, which forms an integral part of AB InBev's annual report

## Statement of the Board of Directors

The Board of Directors of AB InBev SA/NV certifies, on behalf and for the account of the company, that, to their knowledge, (a) the financial statements which have been prepared in accordance with International Financial Reporting Standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the entities included in the consolidation as a whole and (b) the management report includes a fair review of the development and performance of the business and the position of the company and the entities included in the consolidation as a whole, together with a description of the principal risks and uncertainties they face

# Independent auditors' report

# Deloitte.

## Independent auditor's report to the shareholders' meeting of Anheuser-Busch InBev NV/SA on the consolidated financial statements for the year ended 31 December 2017

In the context of the audit of the consolidated financial statements of Anheuser-Busch InBev NV/SA (the Company) and its subsidiaries, joint ventures, joint operations and associates (together the Group), we hereby submit our audit report to you. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These reports are one and indivisible.

We were appointed in our capacity as independent auditor by the shareholders' meeting of 27 April 2016 in accordance with the proposal of the board of directors issued upon recommendation of the Audit Committee and as presented to the works council. Our mandate will expire on the date of the shareholders' meeting approving the consolidated financial statements for the year ending 31 December 2018.

### Report on the audit of the consolidated financial statements Unqualified opinion

We have audited the consolidated financial statements of the Group which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 246,126 million USD and the consolidated income statement shows a consolidated profit for the year then ended of 9,183 million USD.

In our opinion, the consolidated financial statements of Anheuser-Busch InBev NV/SA give a true and fair view of the Group's net equity and financial position as of 31 December 2017 and of its consolidated results and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

### Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under these standards are further described in the "Responsibilities of the independent auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

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

### Key audit matters

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

Key audit matter	How our audit addressed the key audit matter & reference to the Company's disclosures
<b>Goodwill and intangible assets with an indefinite useful life – Impairment testing</b> Goodwill and intangible assets with indefinite useful lives represent 75 % of the total consolidated statement of financial position at 31 December 2017. The annual impairment testing was significant to our audit because of the financial quantum of the assets it supports as well as the fact that the testing relies on a number of critical judgments, estimates and assumptions. The Company uses a strategic plan based on external sources in respect of macro-economic assumptions, industry, inflation, foreign exchange rates and past experience and assumptions in terms of market share, revenue, variable and fixed cost, capital expenditure and working capital assumptions.	We assessed and tested the critical assumptions, the discount rates, methodologies and data used by the Company, by comparing them to external data such as expected inflation rates, external market growth expectations and by analyzing sensitivities in the Company's discounted cash flow model. We included valuation specialists in our team to assist us in these activities. Goodwill and intangible assets with indefinite useful lives are allocated to Cash Generating Units (CGUs) and groups of CGUs. We assessed the adequacy of the Company's disclosure notes 14 and 15 in the financial statements about the assumptions to which the outcome of the impairment test is most sensitive.  We specifically focused on the sensitivity in the available headroom of CGUs and whether a reasonable possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We also assessed the historical accuracy of management's estimates.  The details on the accounting for goodwill and intangible assets and the disclosure requirements under IAS 36 Impairment of assets are included in Note 3 Summary of significant accounting policies, Note 4 Use of estimates and judgments, Note 14 Goodwill and Note 15 Intangible assets to the financial statements.

Key audit matter	How our audit addressed the key audit matter & reference to the Company's disclosures
<p><b>Taxes – provisions for uncertain tax positions</b></p> <p>The Group is subject to income tax in numerous jurisdictions. There are some transactions for which the ultimate tax position is uncertain and which requires significant judgment to determine the provision for income tax. In those cases where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on its judgment of the probable amount of the payable or receivable. Some subsidiaries within the Group are currently subject to tax audits and local enquiries usually in relation to prior years. Investigations and negotiations with local tax authorities can take considerable time to conclude. Due to the level of judgment involved and the uncertain nature of the tax positions, we consider this to be a significant matter in our audit.</p>	<p>With assistance from our tax specialists, we obtained a detailed understanding of the Company's tax strategy as well as key technical tax issues and risks related to business and legislative developments. We assessed the status of ongoing local tax authority audits using, where applicable, our local and international specialized tax knowledge. We evaluated and challenged management's judgment in respect of estimates of tax exposures, recoverable amounts and contingencies. We considered correspondence with tax authorities and also assessed legal opinions from third party tax advisors who act on behalf of the Company.</p> <p>We considered the adequacy of the Company's disclosures in Note 3 Summary of significant accounting policies, Note 4 Use of estimates and judgments, Note 12 Income taxes and Note 32 Contingencies of the financial statements.</p>
<p><b>Responsibilities of the board of directors for the consolidated financial statements</b></p> <p>The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for summing up control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>In preparing the consolidated 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.</p>	<p>We also:</p> <ul style="list-style-type: none"> <li>• identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.</li> <li>• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.</li> <li>• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.</li> <li>• conclude on the appropriateness of management's 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.</li> <li>• evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.</li> </ul> <p>We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.</p>
<p><b>Responsibilities of the independent auditor for the audit of the consolidated financial statements</b></p> <p>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 the ISA 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 those financial statements.</p> <p>As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit.</p>	

## Financial report

We communicate with the audit committee regarding, amongst 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 audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes any public disclosure about the matter.

### Report on other legal and regulatory requirements

#### Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements and other matters disclosed in this report.

#### Responsibilities of the independent auditor

As part of our mandate and in accordance with the Belgian (revised) auditing standard which is complementary to the ISA applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated financial statements and other matters disclosed in the annual report, as well as to report on these matters.

#### Aspects regarding the directors' report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, the directors' report on the consolidated financial statements is consistent with the consolidated financial statements for the year and it has been established in accordance with the requirements of article 19 of the Companies Code.

In the context of our audit of the consolidated financial statements we are responsible for considering, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements is free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement.

#### Statements regarding independence

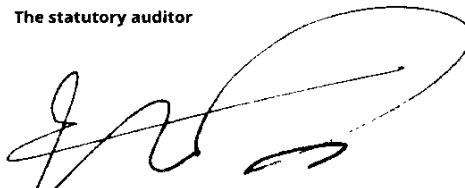
- We did not perform any services that are incompatible with the audit of the consolidated financial statements and remained independent from the Company during the performance of our mandate.
- The fees for the non-audit services compatible with the audit of the consolidated financial statements as defined in article 134 of the Companies Code have been properly disclosed and disaggregated in the disclosures to the consolidated financial statements.

#### Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Zaventem, 28 February 2018

#### The statutory auditor



**DELOITTE Bedrijfsrevisoren / Réviseurs d'Entreprises**

BV of vzw (VBA) / SC or snc (SCR)

Represented by Joel Brehmer

## Deloitte.

Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises  
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /  
Société civile sous forme d'une société coopérative à responsabilité limitée  
Registered Office: Gateway building, Luchthaven Nationaal "J." B-1930 Zaventem  
VAT BE 0429 053 863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 1300 0445 611 - BIC CDBR3333

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# Consolidated financial statements

## Consolidated income statement

For the year ended 31 December Million US dollar, except earnings per shares in US dollar		Notes	2016
<b>Revenue</b>			<b>45 517</b>
Cost of sales			(17 803)
<b>Gross profit</b>			<b>27 715</b>
Distribution expenses			(4 543)
Sales and marketing expenses			(7 745)
Administrative expenses			(2 883)
Other operating income/(expenses)	7		732
<b>Profit from operations before non-recurring items</b>			<b>13 276</b>
Restructuring	8		(323)
Business and asset disposal	8		377
Acquisition costs business combinations	8		(448)
<b>Profit from operations</b>			<b>12 882</b>
Finance cost	11		(5 860)
Finance income	11		652
Non-recurring net finance income/(cost)			(3 356)
<b>Net finance income/(cost)</b>			<b>(8 564)</b>
Share of result of associates and joint ventures			16
<b>Profit before tax</b>			<b>4 334</b>
Income tax expense	12		(1 613)
<b>Profit from continuing operations</b>			<b>2 721</b>
Profit from discontinued operations	22		48
<b>Profit of the year</b>			<b>2 769</b>
Profit from continuing operations attributable to			
Equity holders of AB InBev			1 193
Non-controlling interest			1 528
Profit of the year attributable to:			
Equity holders of AB InBev			1 241
Non-controlling interest			1 528
Basic earnings per share	23		0.72
Diluted earnings per share	23		0.71
Basic earnings per share from continuing operations	23		0.69
Diluted earnings per share from continuing operations	23		0.68
Basic earnings per share before non-recurring items and discontinued operations <sup>1</sup>	23		2.83
Diluted earnings per share before non-recurring items and discontinued operations <sup>1</sup>	23		2.77

The accompanying notes are an integral part of these consolidated financial statements.

<sup>1</sup>Basic earnings per share and diluted earnings per share before non-recurring items are not defined metrics in IFRS. Refer to Note 23 *Changes in equity and earnings per share* for more details.

## Consolidated statement of comprehensive income

For the year ended 31 December Million US dollar		2016
<b>Profit</b>		<b>2 769</b>
<b>Other comprehensive income: Items that will not be reclassified to profit or loss:</b>		
Re-measurements of post-employment benefits		(226)
		(226)
<b>Other comprehensive income: Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations		(2 918)
Foreign exchange contracts recognized in equity in relation to the SAB combination		(7 099)
Foreign exchange contracts reclassified from equity in relation to the SAB combination		8 837
Effective portion of changes in fair value of net investment hedges		(161)
Cash flow hedges recognized in equity		110
Cash flow hedges reclassified from equity to profit or loss		(3)
		(1 234)
<b>Other comprehensive income, net of tax</b>		<b>(1 460)</b>
<b>Total comprehensive income</b>		<b>1 309</b>
Attributable to:		
Equity holders of AB InBev		(275)
Non-controlling interest		1 584

The accompanying notes are an integral part of these consolidated financial statements.



## Consolidated statement of financial position

As at Million US dollar	Notes	31 December 2016 Adjusted <sup>1</sup>	31 December 2016 Reported <sup>2</sup>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	26 219	27 522
Goodwill	14	135 864	136 533
Intangible assets	15	44 789	44 568
Investments in associates and joint ventures	16	4 324	4 324
Investment securities	17	82	82
Deferred tax assets	18	1 261	1 261
Employee benefits	25	10	10
Income tax receivables		6	6
Derivatives	29H	146	146
Trade and other receivables	20	868	868
		<b>213 569</b>	<b>215 320</b>
<b>Current assets</b>			
Investment securities	17	5 659	5 659
Inventories	19	3 889	3 913
Income tax receivables		1 112	1 112
Derivatives	29H	971	971
Trade and other receivables	20	6 352	6 391
Cash and cash equivalents	21	8 579	8 579
Assets classified as held for sale	22	16 458	16 439
		<b>43 017</b>	<b>43 061</b>
<b>Total assets</b>		<b>256 586</b>	<b>258 381</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Issued capital	23	1 736	1 736
Share premium		17 620	17 620
Reserves		23 769	23 769
Retained earnings		28 214	28 214
<b>Equity attributable to equity holders of AB InBev</b>		<b>71 339</b>	<b>71 339</b>
<b>Non-controlling interests</b>	33	10 086	10 086
		<b>81 425</b>	<b>81 425</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	24	113 941	113 941
Employee benefits	25	3 014	3 014
Deferred tax liabilities	18	14 703	16 678
Income tax payables		—	—
Derivatives	29H	471	471
Trade and other payables	28	1 316	1 328
Provisions	27	1 347	1 409
		<b>134 792</b>	<b>136 841</b>
<b>Current liabilities</b>			
Bank overdrafts	21	184	184
Interest-bearing loans and borrowings	24	8 618	8 618
Income tax payables		3 845	3 922
Derivatives	29H	1 263	1 263
Trade and other payables	28	23 086	23 086
Provisions	27	1 199	869
Liabilities associated with assets held for sale	22	2 174	2 174
		<b>40 369</b>	<b>40 116</b>
<b>Total equity and liabilities</b>		<b>256 586</b>	<b>258 381</b>

The accompanying notes are an integral part of these consolidated financial statements

<sup>1</sup>2016 as reported, adjusted to reflect the opening balance sheet adjustments related to the final allocation of the SAB purchase price to the individual assets acquired and liabilities assumed as required by IFRS 3 *Business Combinations*, which requires retrospective application of post-acquisition adjustments (see also Note 6 *Acquisitions and disposals of subsidiaries*)

<sup>2</sup>2016 amounts previously reported

## Consolidated statement of changes in equity

Million US dollar	Issued Capital	Share premium	Treasury shares
<b>As per 1 January 2016</b>	<b>1 736</b>	<b>17 620</b>	<b>(1 626)</b>
<b>Profit</b>	–	–	–
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations (gains/(losses))	–	–	–
Foreign exchange contracts recognized in equity in relation to the SAB combination	–	–	–
Foreign exchange contracts reclassified from equity in relation to the SAB combination	–	–	–
Cash flow hedges	–	–	–
Re-measurements of post-employment benefits	–	–	–
<b>Total comprehensive income</b>	–	–	–
Issuance of restricted shares for SAB ordinary shares	9 528	27 244	–
Transfer to reserves <sup>1</sup>	(9 528)	(27 244)	(8 953)
Acquisitions through business combinations <sup>2</sup>	–	–	–
Dividends	–	–	–
Treasury shares	–	–	174
Share-based payments	–	–	–
Scope and other changes <sup>3</sup>	–	–	1 425
<b>As per 31 December 2016</b>	<b>1 736</b>	<b>17 620</b>	<b>(8 980)</b>

Million US dollar

**As per 1 January 2017****Profit****Other comprehensive income**

Exchange differences on translation of foreign operations (gains/(losses))

Cash flow hedges

Re-measurements of post-employment benefits

**Total comprehensive income**

Dividends

Treasury shares

Share-based payments

Purchase/(sale) of non-controlling interests

Scope and other changes

**As per 31 December 2017**

The accompanying notes are an integral part of these consolidated financial statements

<sup>1</sup>See Note 23 *Changes in equity and earnings per share*<sup>2</sup>See Note 6 *Acquisitions and disposals*<sup>3</sup>During 2016, the company reclassified the results of treasury shares of 1 452m US dollar to retained earnings

Attributable to equity holders of AB InBev							
Reserves	Share-based payment reserves	Other comprehensive income reserves <sup>1</sup>	Deferred share instrument	Retained earnings	Total	Non-controlling interest	Total equity
—	1 264	(14 110)	1 304	35 949	42 137	3 582	45 719
—	—	—	—	1 241	1 241	1 528	2 769
—	—	(3 265)	—	—	(3 265)	186	(3 079)
—	—	(7 099)	—	—	(7 099)	—	(7 099)
—	—	8 837	—	—	8 837	—	8 837
—	—	223	—	—	223	(116)	107
—	—	(212)	—	—	(212)	(14)	(226)
—	—	(1 516)	—	1 241	(275)	1 584	1 309
—	—	—	—	—	36 772	—	36 772
45 726	—	—	—	—	—	—	—
—	—	—	—	—	—	6 201	6 201
—	—	—	(92)	(7 041)	(7 133)	(1 347)	(8 480)
—	—	—	—	(124)	50	—	50
—	173	—	—	—	173	7	180
—	—	—	—	(1 812)	(386)	59	(327)
45 726	1 437	(15 626)	1 212	28 214	71 339	10 086	81 425

## Consolidated statement of cash flows

For the year ended 31 December Million US dollar	Notes	2016
<b>Operating activities</b>		
Profit		2 769
Depreciation, amortization and impairment	10	3 477
Impairment losses on receivables, inventories and other assets		110
Additions/(reversals) in provisions and employee benefits		293
Net finance cost/(income)	11	8 564
Loss/(gain) on sale of property, plant and equipment and intangible assets		(4)
Loss/(gain) on sale of subsidiaries, associates and assets held for sale		(410)
Equity-settled share-based payment expense	26	231
Income tax expense	12	1 613
Other non-cash items included in profit		(286)
Share of result of associates and joint ventures		(16)
<b>Cash flow from operating activities before changes in working capital and use of provisions</b>		<b>16 341</b>
Decrease/(increase) in trade and other receivables		(714)
Decrease/(increase) in inventories		(364)
Increase/(decrease) in trade and other payables		1 251
Pension contributions and use of provisions		(470)
<b>Cash generated from operations</b>		<b>16 044</b>
Interest paid		(3 279)
Interest received		558
Dividends received		43
Income tax paid		(3 256)
<b>Cash flow from operating activities</b>		<b>10 110</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment and of intangible assets	13/15	(4 979)
Proceeds from sale of property, plant and equipment and of intangible assets		211
Acquisition of SAB, net of cash acquired	6	(65 166)
Proceeds from SAB transaction-related divestitures	22	16 342
Taxes on SAB transaction-related divestitures		-
Acquisition of other subsidiaries, net of cash acquired	6	(1 445)
Sale of subsidiaries, net of cash disposed of	6	653
Net of tax proceeds from the sale of assets held for sale		146
Net proceeds from sale/(acquisition) of investment in short-term debt securities	17	(5 583)
Net proceeds from sale/(acquisition) of other assets		(27)
Net repayments/(payments) of loans granted		(229)
<b>Cash flow from investing activities</b>		<b>(60 077)</b>
<b>Financing activities</b>		
Purchase of non-controlling interest	23	(10)
Proceeds from borrowings		86 292
Payments on borrowings		(23 617)
Cash net finance (cost)/income other than interests		(3 484)
Dividends paid		(8 450)
<b>Cash flow from financing activities</b>		<b>50 731</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>764</b>
Cash and cash equivalents less bank overdrafts at beginning of year		6 910
Effect of exchange rate fluctuations		721
<b>Cash and cash equivalents less bank overdrafts at end of period</b>	21	<b>8 395</b>

The accompanying notes are an integral part of these consolidated financial statements

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## Financial report

### 1. Corporate information

Anheuser-Busch InBev is a publicly traded company (Euronext: ABI) based in Leuven, Belgium, with secondary listings on the Mexico (MEXBOL: ANB) and South Africa (JSE: ANH) stock exchanges and with American Depositary Receipts on the New York Stock Exchange (NYSE: BUD). Our Dream is to bring people together for a better world. Beer, the original social network, has been bringing people together for thousands of years. We are committed to building great brands that stand the test of time and to brewing the best beers using the finest natural ingredients. Our diverse portfolio of well over 500 beer brands includes global brands Budweiser®, Corona® and Stella Artois®; multi-country brands Beck's®, Castle®, Castle Lite®, Hoegaarden® and Leffe®, and local champions such as Aguila®, Antarctica®, Bud Light®, Brahma®, Cass®, Chernigivske®, Cristal®, Harbin®, Jupiler®, Klinskoye®, Michelob Ultra®, Modelo Especial®, Quilmes®, Victoria®, Sedrin®, Sibirskaya Korona® and Skol®. Our brewing heritage dates back more than 600 years, spanning continents and generations. From our European roots at the Den Hoorn brewery in Leuven, Belgium. To the pioneering spirit of the Anheuser & Co brewery in St. Louis, US. To the creation of the Castle Brewery in South Africa during the Johannesburg gold rush. To Bohemia, the first brewery in Brazil. Geographically diversified with a balanced exposure to developed and developing markets, we leverage the collective strengths of nearly 200 000 employees based in more than 50 countries worldwide. For 2017, AB InBev's reported revenue was 56.4 billion US dollar (excluding joint ventures and associates).

The consolidated financial statements of the company for the year ended 31 December 2017 comprise the company and its subsidiaries (together referred to as "AB InBev" or the "company") and the company's interest in associates, joint ventures and operations.

The financial statements were authorized for issue by the Board of Directors on 28 February 2018.

### 2. Statement of Compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union up to 31 December 2017 (collectively "IFRS"). AB InBev did not early apply any new IFRS requirements that were not yet effective in 2017 and did not apply any European carve-outs from IFRS.

### 3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements by the company and its subsidiaries.

#### (A) Basis of preparation and measurement

Depending on the applicable IFRS requirements, the measurement basis used in preparing the financial statements is cost, net realizable value, fair value or recoverable amount. Whenever IFRS provides an option between cost and another measurement basis (e.g. systematic re-measurement), the cost approach is applied.

#### (B) Functional and presentation currency

Unless otherwise specified, all financial information included in these financial statements has been stated in US dollar and has been rounded to the nearest million. As from 2009, following the combination with Anheuser-Bush, the company changed the presentation currency of the consolidated financial statements from the euro to the US dollar to provide greater alignment of the presentation currency with AB InBev's most significant operating currency and underlying financial performance. The functional currency of the parent company is the euro.

#### (C) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### (D) Principles of consolidation

Subsidiaries are those entities controlled by AB InBev. AB InBev controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights are taken into account. Control is presumed to exist where AB InBev owns, directly or indirectly, more than one half of the voting rights (which does not always equate to economic ownership), unless it can be demonstrated that such ownership does not constitute control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Associates are undertakings in which AB InBev has significant influence over the financial and operating policies, but which it does not control. This is generally evidenced by ownership of between 20% and 50% of the voting rights. A joint venture is an arrangement in which AB InBev has joint control, whereby AB InBev has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Associates and joint ventures are accounted for by the equity method of accounting, from the date that significant influence or joint control commences until

the date that significant influence or joint control ceases. When AB InBev's share of losses exceeds the carrying amount of the associate or joint venture, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that AB InBev has incurred legal or constructive obligations on behalf of the associate or joint venture.

Joint operations arise when AB InBev has rights to the assets and obligations to the liabilities of a joint arrangement. AB InBev accounts for its share of the assets, liabilities, revenues and expenses as from the moment joint operation commences until the date that joint operation ceases.

The financial statements of the company's subsidiaries, joint ventures, joint operations and associates are prepared for the same reporting year as the parent company, using consistent accounting policies. In exceptional cases when the financial statements of a subsidiary, joint venture, joint operation or associate are prepared as of a different date from that of AB InBev, adjustments are made for the effects of significant transactions or events that occur between that date and the date of AB InBev's financial statements. In such cases, the difference between the end of the reporting period of these subsidiaries, joint ventures, joint operations or associates from AB InBev's reporting period is no more than three months. Results from the company's associate Anadolu Efes are reported on a three month lag.

Transactions with non-controlling interests are treated as transactions with equity owners of the company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity where there is no loss of control.

All intercompany transactions, balances and unrealized gains and losses on transactions between group companies have been eliminated. Unrealized gains arising from transactions with joint ventures, joint operations and associates are eliminated to the extent of AB InBev's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

A listing of the company's most important subsidiaries, joint ventures, joint operations and associates is set out in Note 36 *AB InBev companies*.

#### (E) Summary of changes in accounting policies

A number of new standards, amendment to standards and new interpretations became mandatory for the first time for the financial year beginning 1 January 2017, and have not been listed in these consolidated financial statements because of either their non-applicability to or their immateriality to AB InBev's consolidated financial statements.

#### (F) Foreign currencies

**Foreign currency transactions** Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date rate. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to US dollar at foreign exchange rates ruling at the dates the fair value was determined.

**Translation of the results and financial position of foreign operations** Assets and liabilities of foreign operations are translated to US dollar at foreign exchange rates prevailing at the balance sheet date. Income statements of foreign operations, excluding foreign entities in hyperinflationary economies, are translated to US dollar at exchange rates for the year approximating the foreign exchange rates prevailing at the dates of the transactions. The components of shareholders' equity are translated at historical rates. Exchange differences arising from the translation of shareholders' equity to US dollar at period-end exchange rates are taken to other comprehensive income (translation reserves).

In hyperinflationary economies, re-measurement of the local currency denominated non-monetary assets, liabilities, income statement accounts as well as equity accounts is made by applying a general price index. These re-measured accounts are used for conversion into US dollar at the closing exchange rate. AB InBev did not have material operations in hyperinflationary economies in 2017 and 2016.

**Exchange rates** The most important exchange rates that have been used in preparing the financial statements are:

1 US dollar equals:	Closing rate		Average rate	
		2016		2016
Argentinean peso		15.850116		14.762591
Australian dollar		1.384689		1.3440978
Brazilian real		3.259106		3.474928
Canadian dollar		1.345983		1.318844
Colombian peso		3.002.14		2.986.89
Chinese yuan		6.944520		6.607635
Euro		0.948677		0.902821
Mexican peso		20.663842		18.464107
Pound sterling		0.812238		0.737400
Peruvian nuevo sol		3.352820		3.394121
Russian ruble		60.657097		66.905365
South Korean won		1.203.90		1.154.50
South African rand		13.714953		14.0166901
Turkish lira		3.516940		3.50148
Ukrainian hryvnia		27.190513		25.408674

## Financial report

### (G) Intangible assets

**Research and development** Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the income statement as an expense as incurred

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible, future economic benefits are probable and the company has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labor and an appropriate proportion of overheads. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized development expenditure is stated at cost less accumulated amortization (see below) and impairment losses (refer to accounting policy P).

Amortization related to research and development intangible assets is included within the cost of sales if production related and in sales and marketing if related to commercial activities

*Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets.*

**Supply and distribution rights** A supply right is the right for AB InBev to supply a customer and the commitment by the customer to purchase from AB InBev. A distribution right is the right to sell specified products in a certain territory

Acquired distribution rights are measured initially at cost or fair value when obtained through a business combination.

Amortization related to supply and distribution rights is included within sales and marketing expenses

**Brands** If part of the consideration paid in a business combination relates to trademarks, trade names, formulas, recipes or technological expertise these intangible assets are considered as a group of complementary assets that is referred to as a brand for which one fair value is determined. Expenditure on internally generated brands is expensed as incurred.

**Software** Purchased software is measured at cost less accumulated amortization. Expenditure on internally developed software is capitalized when the expenditure qualifies as development activities, otherwise, it is recognized in the income statement when incurred

Amortization related to software is included in cost of sales, distribution expenses, sales and marketing expenses or administrative expenses based on the activity the software supports

**Other intangible assets** Other intangible assets, acquired by the company, are recognized at cost less accumulated amortization and impairment losses

Other intangible assets also include multi-year sponsorship rights acquired by the company. These are initially recognized at the present value of the future payments and subsequently measured at cost less accumulated amortization and impairment losses

**Subsequent expenditure** Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred

**Amortization** Intangible assets with a finite life are amortized using the straight-line method over their estimated useful lives. Licenses, brewing, supply and distribution rights are amortized over the period in which the rights exist. Brands are considered to have an indefinite life unless plans exist to discontinue the brand. Discontinuance of a brand can be either through sale or termination of marketing support. When AB InBev purchases distribution rights for its own products the life of these rights is considered indefinite, unless the company has a plan to discontinue the related brand or distribution. Software and capitalized development costs related to technology are amortized over 3 to 5 years

*Brands are deemed intangible assets with indefinite useful lives and, therefore, are not amortized but tested for impairment on an annual basis (refer to accounting policy P)*

**Gains and losses on sale** Net gains on sale of intangible assets are presented in the income statement as other operating income. Net losses on sale are included as other operating expenses. Net gains and losses are recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing managerial involvement with the intangible assets

### (H) Business combinations

The company applies the acquisition method of accounting to account for acquisitions of businesses. The cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred and equity instruments issued. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date. The excess of the cost of the acquisition over the company's interest in the fair value of the identifiable net assets acquired is recorded as goodwill.

The allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions requiring management judgment



Acquisition-related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date carrying value of AB InBev's previously held interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss

#### (I) Goodwill

Goodwill is determined as the excess of the consideration paid over AB InBev's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, jointly controlled entity or associate recognized at the date of acquisition. All business combinations are accounted for by applying the purchase method

In conformity with IFRS 3 *Business Combinations*, goodwill is stated at cost and not amortized but tested for impairment on an annual basis and whenever there is an indicator that the cash generating unit to which goodwill has been allocated, may be impaired (refer to accounting policy P). Goodwill is expressed in the currency of the subsidiary or jointly controlled entity to which it relates and is translated to US dollar using the year-end exchange rate. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment in the associate

If AB InBev's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized exceeds the cost of the business combination such excess is recognized immediately in the income statement as required by IFRS 3 *Business Combinations*. Expenditure on internally generated goodwill is expensed as incurred

#### (J) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses (refer to accounting policy P). Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (e.g. nonrefundable tax and transport cost). The cost of a self-constructed asset is determined using the same principles as for an acquired asset. The depreciation methods, residual value, as well as the useful lives are reassessed and adjusted if appropriate, annually

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets

**Subsequent expenditure** The company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. All other costs are expensed as incurred.

**Depreciation** The depreciable amount is the cost of an asset less its residual value. Residual values, if not insignificant, are reassessed annually. Depreciation is calculated from the date the asset is available for use, using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives are defined in terms of the asset's expected utility to the company and can vary from one geographical area to another. On average the estimated useful lives are as follows:

Industrial buildings – other real estate properties	20 - 50 years
Production plant and equipment:	
Production equipment	10 - 15 years
Storage, packaging and handling equipment	5 - 7 years
Returnable packaging	
Kegs	2 - 10 years
Crates	2 - 10 years
Bottles	2 - 5 years
Point of sale furniture and equipment	5 years
Vehicles	5 years
Information processing equipment	3 - 5 years

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Land is not depreciated as it is deemed to have an indefinite life

**Gains and losses on sale** Net gains on sale of items of property, plant and equipment are presented in the income statement as other operating income. Net losses on sale are presented as other operating expenses. Net gains and losses are recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing managerial involvement with the property, plant and equipment

## Financial report

### (K) Accounting for leases

Leases of property, plant and equipment where the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized as assets and liabilities (interest-bearing loans and borrowings) at amounts equal to the lower of the fair value of the leased property and the present value of the minimum lease payments at inception of the lease. Depreciation and impairment testing for depreciable leased assets is the same as for depreciable assets that are owned (refer to accounting policies J and P).

Lease payments are apportioned between the outstanding liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Leases of assets under which all the risks and rewards of ownership are substantially retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

### (L) Investments

All investments are accounted for at trade date.

**Investments in equity securities** Investments in equity securities are undertakings in which AB InBev does not have significant influence or control. This is generally evidenced by ownership of less than 20% of the voting rights. Such investments are designated as available-for-sale financial assets which are at initial recognition measured at fair value unless the fair value cannot be reliably determined in which case they are measured at cost. Subsequent changes in fair value, except those related to impairment losses which are recognized in the income statement, are recognized directly in other comprehensive income.

On disposal of an investment, the cumulative gain or loss previously recognized directly in other comprehensive income is recognized in profit or loss.

**Investments in debt securities** Investments in debt securities classified as trading or as being available-for-sale are carried at fair value, with any resulting gain or loss respectively recognized in the income statement or directly in other comprehensive income. Fair value of these investments is determined as the quoted bid price at the balance sheet date. Impairment charges and foreign exchange gains and losses are recognized in the income statement.

Investments in debt securities classified as held to maturity are measured at amortized cost.

In general, investments in debt securities with maturities of more than three months when acquired and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year may be classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations.

**Other investments** Other investments held by the company are classified as available-for-sale and are carried at fair value, with any resulting gain or loss recognized directly in other comprehensive income. Impairment charges are recognized in the income statement.

### (M) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The weighted average method is used in assigning the cost of inventories.

The cost of finished products and work in progress comprises raw materials, other production materials, direct labor, other direct cost and an allocation of fixed and variable overhead based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated completion and selling costs.

*Inventories are written down on a case-by-case basis if the anticipated net realizable value declines below the carrying amount of the inventories. The calculation of the net realizable value takes into consideration specific characteristics of each inventory category, such as expiration date, remaining shelf life, slow-moving indicators, amongst others.*

### (N) Trade and other receivables

Trade and other receivables are carried at amortized cost less impairment losses. An estimate of impairment losses for doubtful receivables is made based on a review of all outstanding amounts at the balance sheet date.

An allowance for impairment of trade and other receivables is established if the collection of a receivable becomes doubtful. Such receivable becomes doubtful when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows. An impairment loss is recognized in the income statement, as are subsequent recoveries of previous impairments.

**(O) Cash and cash equivalents**

Cash and cash equivalents include all cash balances and short-term highly liquid investments with a maturity of three months or less from the date of acquisition that are readily convertible into cash. They are stated at face value, which approximates their fair value. In the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

**(P) Impairment**

The carrying amounts of financial assets, property, plant and equipment, goodwill and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. In addition, goodwill, intangible assets that are not yet available for use and intangibles with an indefinite useful life are tested for impairment annually at the business unit level (that is a country or group of countries managed as a group below a reporting region). An impairment loss is recognized whenever the carrying amount of an asset or the related cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

**Calculation of recoverable amount** The recoverable amount of the company's investments in unquoted debt securities is calculated as the present value of expected future cash flows, discounted at the debt securities' original effective interest rate. For equity investments classified as available for sale and quoted debt securities the recoverable amount is their fair value.

The recoverable amount of other assets is determined as the higher of their fair value less costs to sell and value in use. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The recoverable amount of the cash-generating units to which the goodwill and the intangible assets with indefinite useful life belong is based on discounted future cash flows using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

**Reversal of impairment losses** Non-financial assets other than goodwill and equity investments classified as available for sale that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(Q) Share capital**

**Repurchase of share capital** When AB InBev buys back its own shares, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity under treasury shares.

**Dividends** Dividends are recognized in the consolidated financial statements on the date that the dividends are declared unless minimum statutory dividends are required by local legislation or the bylaws of the company's subsidiaries. In such instances, statutory minimum dividends are recognized as a liability.

**Share issuance costs** Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(R) Provisions**

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

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

**Onerous contracts** A provision for onerous contracts is recognized when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Such provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

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

**(S) Employee benefits**

**Post-employment benefits** Post-employment benefits include pensions, post-employment life insurance and post-employment medical benefits. The company operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee-managed funds. The pension plans are generally funded by payments from employees and the company, and, for defined benefit plans taking account of the recommendations of independent actuaries. AB InBev maintains funded and unfunded pension plans.

## Financial report

**a) Defined contribution plans** Contributions to defined contribution plans are recognized as an expense in the income statement when incurred. A defined contribution plan is a pension plan under which AB InBev pays fixed contributions into a fund. AB InBev has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

**b) Defined benefit plans** A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. For defined benefit plans, the pension expenses are assessed separately for each plan using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans at least every three years. The amounts charged to the income statement include current service cost, net interest cost (income), past service costs and the effect of any curtailments or settlements. Past service costs are recognized at the earlier of when the amendment / curtailment occurs or when the company recognizes related restructuring or termination costs. *The pension obligations recognized in the balance sheet are measured at the present value of the estimated future cash outflows using interest rates based on high quality corporate bond yields, which have terms to maturity approximating the terms of the related liability, less the fair value of any plan assets.* Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest) are recognized in full in the period in which they occur in the statement of comprehensive income. Re-measurements are not reclassified to profit or loss in subsequent periods.

Where the calculated amount of a defined benefit liability is negative (an asset), AB InBev recognizes such pension asset to the extent that economic benefits are available to AB InBev either from refunds or reductions in future contributions.

**Other post-employment obligations** Some AB InBev companies provide post-employment medical benefits to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans.

**Termination benefits** Termination benefits are recognized as an expense at the earlier when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date and when the company recognizes costs for a restructuring. Termination benefits for voluntary redundancies are recognized if the company has made an offer encouraging voluntary redundancy and when the company can no longer withdraw the offer of termination, which is the earlier of either when the employee accepts the offer or when a legal, regulatory or contractual requirement or restriction on the company's ability to withdraw the offer takes effect.

**Bonuses** Bonuses received by company employees and management are based on pre-defined company and individual target achievement. The estimated amount of the bonus is recognized as an expense in the period the bonus is earned. To the extent that bonuses are settled in shares of the company, they are accounted for as share-based payments.

### (T) Share-based payments

Different share and share option programs allow company senior management and members of the board to acquire shares of the company and some of its affiliates. The fair value of the share options is estimated at grant date, using an option pricing model that is most appropriate for the respective option. Based on the expected number of options that will vest, the fair value of the options granted is expensed over the vesting period. When the options are exercised, equity is increased by the amount of the proceeds received.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the company obtains the goods or the counterparty renders the service.

### (U) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortized cost with any difference between the initial amount and the maturity amount being recognized in the income statement (in accretion expense) over the expected life of the instrument on an effective interest rate basis.

### (V) Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### (W) Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case the tax effect is also recognized directly in equity.

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

In accordance with IAS 12 *Income Taxes* deferred taxes are provided using the so-called balance sheet liability method. This means that, for all taxable and deductible differences between the tax bases of assets and liabilities and their carrying amounts in the balance sheet a deferred tax

liability or asset is recognized. Under this method a provision for deferred taxes is also made for differences between the fair values of assets and liabilities acquired in a business combination and their tax base. IAS 12 prescribes that no deferred taxes are recognized i) on initial recognition of goodwill, ii) at the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit and iii) on differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and to the extent that the company is able to control the timing of the reversal. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using currently or substantively enacted tax rates.

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

The company recognizes deferred tax assets, including assets arising from losses carried forward, to the extent that future probable taxable profit will be available against which the deferred tax asset can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Tax claims are recorded within provisions on the balance sheet (refer to accounting policy R).

#### (X) Income recognition

Income is recognized when it is probable that the economic benefits associated with the transaction will flow to the company and the income can be measured reliably.

**Goods sold** In relation to the sale of beverages and packaging, revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding recovery of the consideration due, associated costs or the possible return of goods, and there is no continuing management involvement with the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates, discounts for cash payments and excise taxes.

**Rental and royalty income** Rental income is recognized under other operating income on a straight-line basis over the term of the lease. Royalties arising from the use by others of the company's resources are recognized in other operating income on an accrual basis in accordance with the substance of the relevant agreement.

**Government grants** A government grant is recognized in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the company will comply with the conditions attached to it. Grants that compensate the company for expenses incurred are recognized as other operating income on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the company for the acquisition of an asset are presented by deducting them from the acquisition cost of the related asset in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

**Finance income** Finance income comprises interest received or receivable on funds invested, dividend income, foreign exchange gains, losses on currency hedging instruments offsetting currency gains, gains on hedging instruments that are not part of a hedge accounting relationship, gains on financial assets classified as trading as well as any gains from hedge ineffectiveness (refer to accounting policy Z).

Interest income is recognized as it accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

**Dividend income** Dividend income is recognized in the income statement on the date that the dividend is declared.

#### (Y) Expenses

**Finance costs** Finance costs comprise interest payable on borrowings, calculated using the effective interest rate method, foreign exchange losses, gains on currency hedging instruments offsetting currency losses, results on interest rate hedging instruments, losses on hedging instruments that are not part of a hedge accounting relationship, losses on financial assets classified as trading, impairment losses on available-for-sale financial assets as well as any losses from hedge ineffectiveness (refer to accounting policy Z).

All interest costs incurred in connection with borrowings or financial transactions are expensed as incurred as part of finance costs. Any difference between the initial amount and the maturity amount of interest bearing loans and borrowings, such as transaction costs and fair value adjustments, are recognized in the income statement (in accretion expense) over the expected life of the instrument on an effective interest rate basis (refer to accounting policy U). The interest expense component of finance lease payments is also recognized in the income statement using the effective interest rate method.

**Research and development, advertising and promotional costs and systems development costs** Research, advertising and promotional costs are expensed in the year in which these costs are incurred. Development costs and systems development costs are expensed in the year in which these costs are incurred if they do not meet the criteria for capitalization (refer to accounting policy G).

**Purchasing, receiving and warehousing costs** Purchasing and receiving costs are included in the cost of sales, as well as the costs of storing and moving raw materials and packaging materials. The costs of storing finished products at the brewery as well as costs incurred for subsequent storage in distribution centers are included within distribution expenses.

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### (Z) Derivative financial instruments

AB InBev uses derivative financial instruments to mitigate the transactional impact of foreign currencies, interest rates, equity prices and commodity prices on the company's performance. AB InBev's financial risk management policy prohibits the use of derivative financial instruments for trading purposes and the company does therefore not hold or issue any such instruments for such purposes. Derivative financial instruments that are economic hedges but that do not meet the strict IAS 39 *Financial Instruments: Recognition and Measurement* hedge accounting rules, however, are accounted for as financial assets or liabilities at fair value through profit or loss.

Derivative financial instruments are recognized initially at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of derivative financial instruments is either the quoted market price or is calculated using pricing models taking into account current market rates. These pricing models also take into account the current creditworthiness of the counterparties.

Subsequent to initial recognition, derivative financial instruments are re-measured to their fair value at balance sheet date. Depending on whether cash flow or net investment hedge accounting is applied or not, any gain or loss is either recognized directly in other comprehensive income or in the income statement.

Cash flow, fair value or net investment hedge accounting is applied to all hedges that qualify for hedge accounting when the required hedge documentation is in place and when the hedge relation is determined to be effective.

**Cash flow hedge accounting** When a derivative financial instrument hedges the variability in cash flows of a recognized asset or liability, the foreign currency risk of a firm commitment or a highly probable forecasted transaction, the effective part of any resulting gain or loss on the derivative financial instrument is recognized directly in other comprehensive income (hedging reserves). When the firm commitment in foreign currency or the forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, the cumulative gain or loss is removed from other comprehensive income and included in the initial measurement of the asset or liability. When the hedge relates to financial assets or liabilities, the cumulative gain or loss on the hedging instrument is reclassified from other comprehensive income into the income statement in the same period during which the hedged risk affects the income statement (e.g. when the variable interest expense is recognized). The ineffective part of any gain or loss is recognized immediately in the income statement.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss (at that point) remains in equity and is reclassified in accordance with the above policy when the hedged transaction occurs. If the hedged transaction is no longer probable, the cumulative gain or loss recognized in other comprehensive income is reclassified into the income statement immediately.

**Fair value hedge accounting** When a derivative financial instrument hedges the variability in fair value of a recognized asset or liability, any resulting gain or loss on the hedging instrument is recognized in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in the income statement.

**Net investment hedge accounting** When a foreign currency liability hedges a net investment in a foreign operation, exchange differences arising on the translation of the liability to the functional currency are recognized directly in other comprehensive income (translation reserves).

When a derivative financial instrument hedges a net investment in a foreign operation, the portion of the gain or the loss on the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income (translation reserves), while the ineffective portion is reported in the income statement.

Investments in equity instruments or derivatives linked to and to be settled by delivery of an equity instrument are stated at cost when such equity instrument does not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable.

**Offsetting derivative assets with derivative liabilities** A derivative asset and a derivative liability shall be offset and the net amount presented in the statement of financial position when, and only when, the company has a currently legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### (AA) Segment reporting

Operating segments are components of the company's business activities about which separate financial information is available that is evaluated regularly by senior management.

AB InBev's operating segment reporting format is geographical because the company's risks and rates of return are affected predominantly by the fact that AB InBev operates in different geographical areas. The company's management structure and internal reporting system to the Board of Directors is set up accordingly. The company has nine operating segments.

Given the transformational nature of the combination with SAB, that closed on 10 October 2016, the company has updated its segment reporting in order to add the former SAB geographies into the previous AB InBev geographies. Colombia, Peru, Ecuador, Honduras and El Salvador are reported together with Mexico as Latin America West, Panama is reported within Latin America North, Africa is reported together with Europe as EMEA, and Australia, India and Vietnam are reported within Asia Pacific.

The company's six geographic regions are North America, Latin America West, Latin America North, Latin America South, EMEA and Asia Pacific.

The aggregation criteria applied are based on similarities in the economic indicators (e.g. margins) that have been assessed in determining that the aggregated operating segments share similar economic characteristics, as prescribed in IFRS 8. Furthermore management assessed additional factors such as management's views on the optimal number of reporting segments, the continuation of the previous AB InBev geographies, peer comparison (e.g. Asia Pacific and EMEA being a commonly reported regions amongst the company's peers), as well management's view on the optimal balance between practical and more granular information

The results of Global Export and Holding Companies, which includes the company's global headquarters and the export businesses in countries in which AB InBev has no operations are reported separately. The company six geographic regions plus the Global Export and Holding Companies comprise the company's seven reportable segments for financial reporting purposes

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill

#### **(BB) Non-recurring items**

Non-recurring items are those that in management's judgment need to be disclosed by virtue of their size or incidence. Such items are disclosed on the face of the consolidated income statement or separately disclosed in the notes to the financial statements. Transactions which may give rise to non-recurring items are principally restructuring activities, impairments, gains or losses on disposal of investments and the effect of the accelerated repayment of certain debt facilities

#### **(CC) Discontinued operations and non-current assets held for sale**

A discontinued operation is a component of the company that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations and is part of a single coordinated plan to dispose of or is a subsidiary acquired exclusively with a view to resale

AB InBev classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use if all of the conditions of IFRS 5 are met. A disposal group is defined as a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred. Immediately before classification as held for sale, the company measures the carrying amount of the asset (or all the assets and liabilities in the disposal group) in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent re-measurement. Non-current assets classified as held for sale are no longer depreciated or amortized

#### **(DD) Recently issued IFRS**

To the extent that new IFRS requirements are expected to be applicable in the future, they have been listed hereafter. For the year ended 31 December 2017 they have not been applied in preparing these consolidated financial statements.

The following standards, amendments and interpretations have been issued recently, but are not yet effective

**IFRS 9 Financial Instruments** (effective from annual periods beginning on or after 1 January 2018) is the standard issued as part of a wider project to replace IAS 39. IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held, defines a new expected-loss impairment model that will require more timely recognition of expected credit losses, and introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new hedge accounting model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities. IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. The company does not expect that the application of IFRS 9 will have a significant impact on its financial position and/or its financial performance

**IFRS 15 Revenue from Contracts with Customers** (effective from annual periods beginning on or after 1 January 2018). The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. In view of the company's activities, the company does not expect that the application of IFRS 15 will have a significant impact on its financial position and/or its financial performance

**IFRS 16 Leases** (effective from annual periods beginning on or after 1 January 2019) replaces the existing lease accounting requirements and represents a significant change in the accounting and reporting of leases that were previously classified as operating leases, with more assets and liabilities to be reported on the balance sheet and a different recognition of lease costs

The company is in process of assessing the full impact of IFRS 16 and, apart from changes in the presentation of operating leases in the balance sheet, does not expect significant impacts in the consolidated income statement

**Other standards, interpretations and amendments to standards** A number of other amendments to standards are effective for annual periods beginning after 1 January 2017, and have not been listed above because of either their non-applicability to or their immateriality to AB InBev's consolidated financial statements

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### 4. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Although each of its significant accounting policies reflects judgments, assessments or estimates, AB InBev believes that the following accounting policies reflect the most critical judgments, estimates and assumptions that are important to its business operations and the understanding of its results: business combinations, intangible assets, goodwill, impairment, provisions, share-based payments, employee benefits and accounting for current and deferred tax.

The fair values of acquired identifiable intangibles are based on an assessment of future cash flows. Impairment analyses of goodwill and indefinite-lived intangible assets are performed annually and whenever a triggering event has occurred, in order to determine whether the carrying value exceeds the recoverable amount. These calculations are based on estimates of future cash flows.

The company uses its judgment to select a variety of methods including the discounted cash flow method and option valuation models and makes assumptions about the fair value of financial instruments that are mainly based on market conditions existing at each balance sheet date.

Actuarial assumptions are established to anticipate future events and are used in calculating pension and other long-term employee benefit expense and liability. These factors include assumptions with respect to interest rates, rates of increase in health care costs, rates of future compensation increases, turnover rates, and life expectancy.

The company is subject to income tax in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. Some subsidiaries within the group are involved in tax audits and local enquiries usually in relation to prior years. Investigations and negotiations with local tax authorities are ongoing in various jurisdictions at the balance sheet date and, by their nature, these can take considerable time to conclude. In assessing the amount of any income tax provisions to be recognized in the financial statements, estimation is made of the expected successful settlement of these matters. Estimates of interest and penalties on tax liabilities are also recorded. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period such determination is made.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are further discussed in the relevant notes hereafter.

In preparing these consolidated financial statements, the significant judgments made by management in applying the company's accounting policies and the key sources of estimating uncertainty mainly related to the valuation of the individual assets acquired and liabilities assumed as part of the allocation of the SAB purchase price and to the impact on current and deferred taxes of the US tax reform enacted on 22 December 2017, for which a 1.8 billion US dollar adjustment was provisionally estimated and recognized as a non-recurring gain per 31 December 2017. This 1.8 billion US dollar adjustment results mainly from the re-measurement of the deferred tax liabilities set up in 2008 in line with IFRS as part of the purchase price accounting of the combination with Anheuser Busch and certain deferred tax assets following the change in federal tax rate from 35% to 21%. The company estimated the deemed repatriation tax charge resulting from the Tax reform to be not material. The adjustment represents the company's current best estimate of the deferred tax liability re-measurement resulting from the Tax reform, including state taxes. The estimate will be updated in 2018 once the company will have analyzed all necessary information, including earnings and profits (E&P) of the foreign subsidiaries of the company's US operations per 2 November and 31 December 2017 and their cash held abroad to complete the exhaustive computation of the deemed repatriation tax and state taxes. During 2018, the company will also assess if a deferred tax liability should be set up in view of the Global Intangible Low-Taxed Income ("GILTI") provisions of the US tax reform, for which the company did not set up any deferred tax liabilities by 31 December 2017 and believes the impact to be not material. The estimate may change as the company receives additional clarification and implementation guidance from the authorities. Detail is provided in Note 6 *Acquisitions and disposals of Subsidiaries*, Note 12 *Income Taxes* and in Note 18 *Deferred tax assets and liabilities* of these consolidated financial statements.



## 5. Segment reporting

Segment information is presented by geographical segments, consistent with the information that is available and evaluated regularly by the chief operating decision maker. AB InBev operates its business through seven business segments. Regional and operating company management is responsible for managing performance, underlying risks, and effectiveness of operations. Internally, AB InBev's management uses performance indicators such as normalized profit from operations (normalized EBIT) and normalized EBITDA as measures of segment performance and to make decisions regarding allocation of resources.

The company's six geographic regions: North America, Latin America West, Latin America North, Latin America South, EMEA and Asia Pacific, plus its Global Export and Holding Companies comprise the company's seven reportable segments for financial reporting purposes.

Given the transformational nature of the transaction with SAB, that closed on 10 October 2016, and to facilitate the understanding of AB InBev's underlying performance, AB InBev has updated its 2016 segment reporting for purposes of result announcement and internal review by management. This presentation (further referred to as the "2016 Reference base") includes, for comparative purposes, the SAB results as from the 1<sup>st</sup> January 2016. The tables below provide the segment information per segment for the year ended 31 December 2016 and 2017 in the format that is used by management to monitor performance. The former SAB geographies: Colombia, Peru, Ecuador, Honduras and El Salvador are reported together with Mexico as Latin America West, Panama is reported within Latin America North, Africa is reported together with Europe as EMEA, and Australia, India and Vietnam are reported within Asia Pacific. Exports to countries in which AB InBev has operations following the combination, were allocated to the respective regions in the 2016 Reference Base.

The 2016 Reference Base and 2017 segment reporting exclude the results of the SAB businesses sold since the combination was completed, including the joint venture stakes in MillerCoors and CR Snow, and the sale of the Peroni, Grolsch and Meantime brands and associated businesses in Italy, the Netherlands, the UK and internationally. The 2016 Reference Base and 2017 segment reporting also exclude the results of the Central and Eastern Europe business and the stake in Distell. The results of the Central and Eastern Europe business were reported as "Results from discontinued operations" until the completion of the sale that took place on 31 March 2017. The results of Distell were reported as share of results of associates until the completion of the sale that occurred on 12 April 2017, and accordingly, are excluded from normalized EBIT and EBITDA. Furthermore, the company stopped consolidating CCBA in its consolidated financial statements as from the completion of the CCBA disposal on 4 October 2017.

The differences between the 2016 Reference base and the 2016 audited income statement as Reported represent the effect of the combination with SAB.

All figures in the tables below are stated in million US dollar, except volume (million hls) and Normalized EBITDA margin (in %).

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### Segment reporting (reference base) - unaudited

	North America	Latin America West	Latin America North
	2016 Reference base	2016 Reference base	2016 Reference base
Volumes	117	109	120
<b>Revenue</b>	<b>15 698</b>	<b>8 595</b>	<b>8 630</b>
<b>Normalized EBITDA</b>	<b>6 250</b>	<b>3 983</b>	<b>3 790</b>
Normalized EBITDA margin %	39.8%	46.3%	43.9%
Depreciation, amortization and impairment	(809)	(613)	(770)
<b>Normalized profit from operations (EBIT)</b>	<b>5 441</b>	<b>3 370</b>	<b>3 020</b>

### Segment reporting (2016 reported)

	North America	Latin America West	Latin America North
	2016	2016	2016
<b>Volume</b>	<b>117</b>	<b>64</b>	<b>118</b>
<b>Revenue</b>	<b>15 698</b>	<b>5 188</b>	<b>8 461</b>
<b>Normalized EBITDA</b>	<b>6 250</b>	<b>2 376</b>	<b>3 751</b>
Normalized EBITDA margin %	39.8%	45.8%	44.3%
Depreciation, amortization and impairment	(809)	(388)	(750)
<b>Normalized profit from operations (EBIT)</b>	<b>5 441</b>	<b>1 988</b>	<b>3 001</b>
Non-recurring items (refer Note 8)	(29)	252	(20)
<b>Profit from operations (EBIT)</b>	<b>5 412</b>	<b>2 240</b>	<b>2 981</b>
Net finance income/(cost)			
Share of results of associates and joint ventures			
Income tax expense			
<b>Profit from continuing operations</b>			
Discontinued operations			
<b>Profit/(loss)</b>			
Segment assets (non-current) <sup>1</sup>	62 467	69 472	13 656
Gross capex	895	710	709
FTE <sup>2</sup>	19 314	51 418	40 416

For the period ended 31 December 2017, net revenue from the beer business amounted to 50 301m US dollar (2016: 41 421m US dollar) while the net revenue from the non-beer business (soft drinks and other business) accounted for 6 143m US dollar (2016: 4 096m US dollar). On the same basis, net revenue from external customers attributable to AB InBev's country of domicile (Belgium) represented 704m US dollar (2016: 687m US dollar) and non-current assets located in the country of domicile represented 1 658m US dollar (2016: 1 440m US dollar).

<sup>1</sup>2016 as reported, adjusted to reflect the opening balance sheet adjustments related to the final allocation of the SAB purchase price to the individual assets acquired and liabilities assumed as required by IFRS 3 *Business Combinations*, which requires retrospective application of post-acquisition adjustments (see also Note 6 *Acquisitions and disposals of subsidiaries*).

<sup>2</sup>Includes FTE from SAB retained operations at year end 2016 per AB InBev's definition in the glossary. This definition is different than the one formerly applied by SAB. The reduction in FTEs mainly results from the disposals completed during the year.

Latin America South		EMEA		Asia Pacific		Global Export and holding companies		Effect of acquisition		Consolidated	
	2016 Reference base		2016 Reference base		2016 Reference base		2016 Reference base		2016 Bridge to Reported		2016 Reported
	32		135		101		2		(116)		500
	2 850		9 700		7 250		1 218		(8 424)		45 517
	1 431		2 903		2 114		(837)		(2 881)		16 753
	50.2%		29.9%		29.2%						36.8%
	(191)		(740)		(740)		(252)		638		(3 477)
	1 240		2 163		1 374		(1 089)		(2 243)		13 276

Latin America South		EMEA		Asia Pacific		Global Export and holding companies		Consolidated	
	2016		2016		2016		2016		2016
	32		75		92		2		500
	2 850		6 010		6 074		1 237		45 517
	1 431		1 774		1 639		(474)		16 753
	50.2%		29.6%		27.1%		-		36.8%
	(191)		(473)		(658)		(210)		(3 477)
	1 240		1 302		987		(683)		13 276
	(12)		(118)		(84)		(383)		(394)
	1 228		1 184		903		(1 066)		12 882
									(8 564)
									16
									(1 613)
									2 721
									48
									2 769
	2 357		41 749		22 071		1 797		213 569
	389		1 001		837		379		4 919
	9 571		43 456		39 213		3 245		206 633

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### 6. Acquisitions and disposals of subsidiaries

#### Combination with SAB

On 10 October 2016, AB InBev announced the completion of the Belgian Merger and the successful completion of the business combination with the former SABMiller Group ("SAB").

The combination with SAB was implemented through a series of steps, including the acquisition of SAB by Newbelco, a newly incorporated Belgian company formed for the purposes of the combination with SAB, and completed on 10 October 2016. During the final step of the combination with SAB, former AB InBev merged into Newbelco (the "Belgian Merger") so that, following completion of the combination with SAB, Newbelco, now named Anheuser-Busch InBev SA/NV, became the new holding company for the Combined Group.

Under the terms of the combination with SAB, each SAB shareholder was entitled to receive GBP 45.00 in cash in respect of each SAB share. The combination with SAB also included a partial share alternative (the "Partial Share Alternative"), under which SAB shareholders could elect to receive GBP 4.6588 in cash and 0.483969 Restricted Shares in respect of each SAB share in lieu of the full cash consideration to which they would otherwise be entitled under the combination with SAB (subject to scaling back in accordance with the terms of the Partial Share Alternative).

On 6 October 2016, Newbelco issued 163 276 737 100 ordinary shares ("Initial Newbelco Shares") to SAB shareholders through a capital increase of 85 531m euro equivalent to 75.4 billion pound sterling, as consideration for 1 632 767 371 ordinary shares of SAB pursuant to a UK law court-sanctioned scheme of arrangement (the "UK Scheme"). Following completion of the tender offer, AB InBev acquired 102 890 758 014 Initial Newbelco Shares tendered into the Belgian offer. Based on the terms of the UK Scheme, all Initial Newbelco Shares not tendered to AB InBev in the context of the Belgian Offer (i.e. 60 385 979 086 Initial Newbelco Shares) were reclassified into 325 999 817 restricted shares, in accordance with the mechanism by which any Initial Newbelco Shares that were retained after closing of the Belgian offer were automatically reclassified and consolidated.

The restricted shares are unlisted, not admitted to trading on any stock exchange, and are subject to, among other things, restrictions on transfer until converted into new ordinary shares. The restricted shares will be convertible at the election of the holder into new ordinary shares on a one-for-one basis with effect from the fifth anniversary of completion of the combination. From completion of the combination, such restricted shares rank equally with the new ordinary shares with respect to dividends and voting rights. Following completion of the combination, AB InBev acquired 105 246 SAB shares from option holders that had not exercised their option rights prior to the completion of the combination for a total consideration of 5m euro. Following this transaction AB InBev owns 100 % of the SAB shares.

The SAB purchase consideration is calculated as follows:

	Newbelco number of shares	Newbelco valuation in million pound sterling	Newbelco valuation in million euro
Tender offer	102 890 758 014	46 301	52 522
Converted to restricted shares	60 385 979 086	29 099	33 009(i)
	<b>163 276 737 100</b>	<b>75 400</b>	<b>85 531</b>
Total equity value at offer in million euro			85 531
Purchase from option holder			5
<b>Total equity value in million euro</b>			<b>85 536</b>
<b>Total equity value in million US dollar</b>			<b>95 288</b>
Foreign exchange hedges and other			7 848(ii)
<b>Purchase consideration</b>			<b>103 136</b>
Add: fair market value of total debt assumed			11 870
Less: total cash acquired			(1 198)
<b>Gross purchase consideration</b>			<b>113 808</b>

#### Notes

(i) The Restricted Share valuation is based on the valuation of the Newbelco shares that were not tendered into the Belgian Offer and has regard to the share price of former AB InBev of the day of the closing of the combination with SAB, adjusted for the specificities of the Restricted Shares in line with fair value measurement rules under IFRS.

(ii) During 2015 and 2016, the company entered into derivative foreign exchange forward contracts, as well as other non-derivative items also documented in a hedge accounting relationship, in order to economically hedge against exposure to changes in the U.S. dollar exchange rate for the cash component of the purchase consideration in pound sterling and South African rand. Although these derivatives and non-derivative items were considered to be economic hedges, only a portion of such derivatives could qualify for hedge accounting under IFRS rules. Since inception of the derivative contracts in 2015 and upon the completion of the combination with SAB, 12.3 billion US dollar negative mark-to-market adjustment related to such hedging were recognized cumulatively over 2015 and 2016, of which 7.4 billion US dollar qualified for hedge accounting and was, accordingly, allocated as part of the consideration paid. The settlement of the portion of the derivatives that did not qualify as hedge accounting was classified as cash flow from financing activities in the consolidated cash flow statement.

AB InBev financed the cash consideration of the transaction with 18.0 billion US dollar drawn down under the 75.0 billion US dollar Committed Senior Acquisition Facilities agreement dated 28 October 2015, as well excess liquidity resulting from the issuance of bonds in 2016 that were mainly invested in US Treasury Bills pending the closing of the combination.

The transaction costs incurred in connection with the transaction, which include transaction taxes, advisory, legal, audit, valuation and other fees and costs, amounted to approximately 1.0 billion US dollar. In addition AB InBev incurred approximately 0.7 billion US dollar of costs in connection with the transaction-related financing arrangements.

In accordance with IFRS, the merger of the former AB InBev into Newbelco is considered for accounting purposes as a reverse acquisition, operation by which Newbelco legally absorbed assets and liabilities of former AB InBev. As a consequence, the legal acquirer (Newbelco) should be considered as the accounting acquiree and the legal acquiree (former AB InBev) should be considered the accounting acquirer. Therefore, the consolidated financial statements represent the continuation of the financial statements of former AB InBev. The assets and liabilities of former AB InBev remained recognized at their pre-combination carrying amounts. The identified assets, liabilities and non-controlling interests of SAB are recognized in accordance with IFRS 3 *Business Combinations*.

In 2017, the company completed the purchase price allocation to the individual assets acquired and liabilities assumed as part of the SAB combination, in compliance with IFRS 3.

The valuation of the property, plant and equipment, intangible assets, investment in associates, interest bearing loans and borrowings, employee benefits, other assets and liabilities and non-controlling interests was based on the AB InBev management best estimate of fair value with input from independent third parties.

IFRS 3 requires the acquirer to retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The following table summarizes the provisional and final purchase price allocation of the SAB business with adjustments being retrospectively applied as of 10 October 2016:

Million US dollar	Provisional fair values Reported 2016	Adjustments	Fair values Adjusted 2016
<b>Non-current assets</b>			
Property, plant and equipment	9 060	(1 303)	7 757
Intangible assets	20 040	221	20 261
Investment in associates	4 386	–	4 386
Investment securities	21	–	21
Deferred tax assets	179	–	179
Derivatives	579	–	579
Trade and other receivables	59	–	59
<b>Current assets</b>			
Inventories	977	(24)	953
Income tax receivable	189	–	189
Derivatives	60	–	60
Trade and other receivables	1 257	(39)	1 218
Cash and cash equivalents	1 410	–	1 410
Assets held for sale	24 805	19	24 824
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	(9 021)	–	(9 021)
Employee benefits	(195)	–	(195)
Deferred tax liabilities	(5 801)	2 983	(2 818)
Derivatives	(24)	–	(24)
Trade and other payables	(146)	12	(134)
Provisions	(688)	62	(626)
<b>Current liabilities</b>			
Bank overdraft	(212)	–	(212)
Interest-bearing loans and borrowings	(2 849)	–	(2 849)
Income tax payable	(4 310)	77	(4 233)
Derivatives	(156)	–	(156)
Trade and other payables	(3 520)	–	(3 520)
Provisions	(847)	(330)	(1 177)
<b>Net identified assets and liabilities</b>	<b>35 253</b>	<b>1 677</b>	<b>36 930</b>
<b>Non-controlling interests</b>	<b>(6 200)</b>	<b>–</b>	<b>(6 200)</b>
<b>Goodwill on acquisition</b>	<b>74 083</b>	<b>(1 677)</b>	<b>72 406</b>
<b>Purchase consideration</b>	<b>103 136</b>	<b>–</b>	<b>103 136</b>

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Given the nature of the adjustments, the impact to the consolidated income statement as of 31 December 2016 is immaterial.

The combination with SAB resulted in 72.4 billion US dollar of goodwill allocated primarily to the businesses in Colombia, Ecuador, Peru, Australia, South Africa and other African, Asia Pacific and Latin American countries. The factors that contributed to the recognition of goodwill include the acquisition of an assembled workforce and the premiums paid for cost synergies expected to be achieved in SAB. Our assessment of the future economic benefits supporting recognition of this goodwill is in part based on expected savings through the implementation of best practices such as, among others, a zero based budgeting program and initiatives that are expected to bring greater efficiency and standardization, generate cost savings and maximize purchasing power. Goodwill also arises due to the recognition of deferred tax liabilities in relation to the fair value adjustments on acquired intangible assets for which the amortization does not qualify as a tax deductible expense. None of the goodwill recognized is deductible for tax purposes.

On 11 October, 2016, AB InBev completed the disposal of SAB's interest in MillerCoors LLC and all trademarks, contracts and other assets primarily related to the "Miller International Business" to Molson Coors Brewing Company. The disposal was completed for 12 billion US dollar in cash, subject to a downward purchase price adjustment. AB InBev set up a provision of 330m US dollar as part of the opening balance sheet related to the purchase price adjustment. The parties entered into a settlement agreement on 21 January 2018 for 330m US dollar of which 328m US dollar constitutes the purchase price adjustment amount.

### Other acquisitions and disposals

The table below summarizes the impact of acquisitions on the Statement of financial position and cash flows of AB InBev for 31 December 2017 and 31 December 2016:

Million US dollar	2016 Acquisitions	2016 Disposal
<b>Non-current assets</b>		
Property, plant and equipment	286	(115)
Intangible assets	679	—
Investments in associates	62	—
Deferred tax assets	4	—
Employee benefits	3	—
Trade and other receivables	—	—
<b>Current assets</b>		
Inventories	41	(17)
Trade and other receivables	28	(4)
Cash and cash equivalents	45	(75)
Assets held for sale	—	—
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	(109)	—
Employee benefits	(1)	—
Deferred tax liabilities	(11)	6
Trade and other payables	—	10
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	(3)	—
Trade and other payables	(72)	41
<b>Net identifiable assets and liabilities</b>	<b>952</b>	<b>(156)</b>
<b>Non-controlling interest</b>	<b>(14)</b>	<b>—</b>
Goodwill on acquisitions and goodwill disposed of	803	(187)
Loss/(gain) on disposal	—	(406)
Prior year payments	(143)	—
Consideration to be paid	(365)	—
Net cash paid on prior years acquisitions	34	(5)
<b>Consideration paid/(received)</b>	<b>1 267</b>	<b>(754)</b>
Cash (acquired)/ disposed of	(45)	75
<b>Net cash outflow / (inflow)</b>	<b>1 222</b>	<b>(679)</b>

In the first quarter of 2017, AB InBev and Keurig Green Mountain, Inc. established a joint venture for conducting research and development of an in-home alcohol drink system, focusing on the US and Canadian markets. The transaction included the contribution of intellectual property and manufacturing assets from Keurig Green Mountain, Inc. Pursuant to the terms of the joint venture agreement, AB InBev owns 70% of the voting and economic interest in the joint venture. Under IFRS, this transaction was accounted for as a business combination as AB InBev was deemed as the accounting acquirer as per IFRS rules.

During 2017, AB InBev collected 42m US dollar proceeds from prior years' sale of SeaWorld to Blackstone.

During 2016, AB InBev completed the acquisition of the Canadian rights to a range of primarily spirit-based beers and ciders from Mark Anthony Group. In a separate transaction, Mark Anthony Group agreed to sell certain non-U.S. and non-Canadian trademark rights and other intellectual property to one of the company's subsidiaries. Mark Anthony Group retains full ownership of its U.S. business, as well as the Canadian wine, spirits and beer import and distribution business.

The company undertook a series of additional acquisitions and disposals during 2016 and 2017, with no significant impact in the company's consolidated financial statements.

## 7. Other operating income/(expenses)

Million US dollar	2016
Government grants	432
License income	65
Net (additions to)/reversals of provisions	(50)
Net gain on disposal of property, plant and equipment, intangible assets and assets held for sale	37
Net rental and other operating income	248
	<b>732</b>
Research expenses as incurred	244

The government grants relate primarily to fiscal incentives given by certain Brazilian states and Chinese provinces, based on the company's operations and developments in those regions.

In 2017, the company expensed 276m US dollar in research, compared to 244m US dollar in 2016. The spend focused on product innovations, market research, as well as process optimization and product development.

## 8. Non-recurring items

IAS 1 *Presentation of financial statements* requires material items of income and expense to be disclosed separately. Non-recurring items are items, which in management's judgment need to be disclosed by virtue of their size or incidence in order for the user to obtain a proper understanding of the financial information. The company considers these items to be of significance in nature, and accordingly, management has excluded these from their segment measure of performance as noted in Note 5 *Segment Reporting*.

The non-recurring items included in the income statement are as follows:

Million US dollar	2016
Restructuring	(323)
Acquisition costs business combinations	(448)
Business and asset disposal (including impairment losses)	377
<b>Impact on profit from operations</b>	<b>(394)</b>
Non-recurring net finance income/(cost)	(3 356)
Non-recurring taxes	77
Non-recurring non-controlling interest	13
<b>Net impact on profit attributable to equity holders of AB InBev</b>	<b>(3 659)</b>

The non-recurring restructuring charges for 2017 amount to (468)m US dollar. These charges primarily relate to the SAB integration. These changes aim to eliminate overlapping organizations or duplicated processes, taking into account the right match of employee profiles with the new organizational requirements. These one-time expenses, as a result of the series of decisions, provide the company with a lower cost base in addition to a stronger focus on AB InBev's core activities, quicker decision-making and improvements to efficiency, service and quality.

2017 acquisition costs of business combinations amount to (155)m US dollar are primarily related to cost incurred to facilitate the combination with SAB.

Business and asset disposals amount to (39)m US dollar by year-end 2017 mainly relate to the costs incurred to complete the disposals of the former SAB Central and Eastern Europe business and CCBA during 2017, partly offset by proceeds from prior years' sale of SeaWorld to Blackstone.

The non-recurring restructuring charges for 2016 total (323)m US dollar. These charges primarily relate to organizational alignments in EMEA and Asia Pacific.

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The company incurred non-recurring net finance cost of (693)m US dollar by the end of December 2017 (2016: (3 356)m US dollar cost) - see Note 11 *Finance cost and income* and non-recurring income tax income of 830m US dollar mainly related to a 1.8 billion US dollar adjustment following the US tax reform enacted on 22 December 2017 partially offset by provisions accrued for tax contingencies covered by the Brazilian Federal Tax Regularization Program entered into by Ambev - see Note 12 *Income taxes* and Note 18- *Deferred tax assets and liabilities*,

Non-controlling interest on the non-recurring items amounts to 526m US dollar for 2017 (2016: 13m US dollar)

### 9. Payroll and related benefits

Million US dollar		2016
Wages and salaries		(4 404)
Social security contributions		(647)
Other personnel cost		(580)
Pension expense for defined benefit plans		(194)
Share-based payment expense		(228)
Contributions to defined contribution plans		(77)
		<b>(6 130)</b>
Number of full time equivalents (FTE) at year-end		206 633

The number of full time equivalents can be split as follows.

		2016
AB InBev NV (parent company)		225
Other subsidiaries		206 408
		<b>206 633</b>

The 2017 increase in payroll and related benefits is mainly due to the full year reporting of the retained operations following the combination with SAB, whereas the reduction in FTEs mainly results from the disposals completed during the year. See also Note 22 – *Assets classified as held for sale and discontinued operations*.

### 10. Additional information on operating expenses by nature

Depreciation, amortization and impairment charges are included in the following line items of the 2017 income statement:

Million US dollar	
Cost of sales	
Distribution expenses	
Sales and marketing expenses	
Administrative expenses	
Other operating expenses	

Depreciation, amortization and impairment charges were included in the following line items of the 2016 income statement

Million US dollar	Depreciation and impairment of property, plant and equipment	Amortization and impairment of intangible assets	Impairment of goodwill
Cost of sales	2 292	21	–
Distribution expenses	143	1	–
Sales and marketing expenses	363	208	–
Administrative expenses	222	218	–
Other operating expenses	2	1	–
	<b>3 025</b>	<b>452</b>	<b>–</b>

The depreciation, amortization and impairment of property, plant and equipment included a full-cost reallocation of 1m US dollar in 2017 from the aggregate depreciation, amortization and impairment expense to cost of goods sold (2016: 9m US dollar)

The 2017 increase in depreciation, amortization and impairment charges is mainly due to the business combination with SAB.



## 11. Finance cost and income

### Recognized in profit or loss

#### Finance costs

Million US dollar	2016
Interest expense	(4 092)
Capitalization of borrowing costs	12
Net interest on net defined benefit liabilities	(113)
Accretion expense	(648)
Net foreign exchange losses (net of the effect of foreign exchange derivative instruments)	(21)
Net losses on hedging instruments that are not part of a hedge accounting relationship	(797)
Tax on financial transactions	(70)
Other financial costs, including bank fees	(131)
	<b>(5 860)</b>
Non-recurring finance cost	(3 522)
	<b>(9 382)</b>

Finance costs, excluding non-recurring items, increased by 332m US dollar from prior year mainly as a result of interest expense on the bonds issued in 2016 to fund the combination with SAB, as well as interest expenses on the legacy debt of SAB

Mark-to-market result on certain derivatives related to the hedging of share-based payment programs reached net losses of 291m US dollar in 2017 (2016 384m US dollar cost)

Borrowing costs capitalized relate to the capitalization of interest expenses directly attributable to the acquisition and construction of qualifying assets mainly in Brazil and China. Interest is capitalized at a borrowing rate ranging from 4% to 8%.

Non-recurring net finance cost for 2017 includes:

- 261m US dollar foreign exchange translation losses on intragroup loans that were historically reported in equity and were recycled to profit and loss account, upon the reimbursement of these loans;
- 44m US dollar related to the Brazilian Federal Tax Regularization Program entered into by Ambev – see Note 12 *Income taxes*;
- 100m US dollar related to accelerated accretion expenses associated to the repayment of the 2015 senior facilities agreement and the early redemption of certain notes. See also Note 24 *Interest-bearing loans and borrowings*;
- 146m US dollar resulting from mark-to-market adjustments on derivative instruments entered into to hedge the deferred share instrument issued in a transaction related to the combination with Grupo Modelo. By 31 December 2017, 100% of the deferred share instrument had been hedged at an average price of approximately 68 euro per share. See also Note 23 *Changes in equity and earnings per share*;
- 142m US dollar resulting from mark-to-market adjustments on derivatives entered into to hedge the restricted shares issued in connection with the combination with SAB.

2016 non-recurring finance cost mainly relates to:

- 2 693m US dollar negative mark-to-market adjustments related to the portion of the foreign exchange hedging of the purchase price of the combination with SAB that did not qualify for hedge accounting as per IFRS rules;
- 306m US dollar related to accelerated accretion expenses associated to the 2015 senior facilities agreement, as well as commitment fees and other fees;
- 304m US dollar resulting from mark-to-market adjustments on derivative instruments entered into to hedge the deferred share instrument issued in a transaction related to the combination with Grupo Modelo and
- 127m US dollar resulting from mark-to-market adjustments on derivatives entered into to hedge the restricted shares issued in connection with the combination with SAB.

Interest expense is presented net of the effect of interest rate derivative instruments hedging AB InBev's interest rate risk – see also Note 29 *Risks arising from financial instruments*.

#### Finance income

Million US dollar	2016
Interest income	561
Other financial income	91
	<b>652</b>
Non-recurring finance income	166
	<b>818</b>

No interest income was recognized on impaired financial assets.

The interest income stems from the following financial assets:

Million US dollar	2016
Cash and cash equivalents	479
Investment debt securities held for trading	16
Other loans and receivables	66
	<b>561</b>

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The interest income on other loans and receivables includes the interest accrued on cash deposits given as guarantees for certain legal proceedings pending resolution.

For further information on instruments hedging AB InBev's foreign exchange risk see Note 29 *Risks arising from financial instruments*

### 12. Income taxes

Income taxes recognized in the income statement can be detailed as follows:

Million US dollar	2016
<b>Current tax expense</b>	
Current year	(1 544)
(Underprovided)/overprovided in prior years	47
	<b>(1 497)</b>
<b>Deferred tax (expense)/income</b>	
Origination and reversal of temporary differences	(459)
(Utilization)/recognition of deferred tax assets on tax losses	116
Recognition of previously unrecognized tax losses	227
	<b>(116)</b>
<b>Total income tax expense in the income statement</b>	<b>(1 613)</b>

The reconciliation of the effective tax rate with the aggregated weighted nominal tax rate can be summarized as follows

Million US dollar	2016
Profit before tax	4 334
Deduct share of result of associates and joint ventures	16
<b>Profit before tax and before share of result of associates and joint ventures</b>	<b>4 318</b>
<b>Adjustments on taxable basis</b>	
Foreign source income	(809)
Government incentives	(769)
Taxable intercompany dividends	619
Expenses not deductible for tax purposes	4 351
Other non-taxable income	(415)
	<b>7 296</b>
<b>Aggregated weighted nominal tax rate</b>	<b>32.7%</b>
Tax at aggregated weighted nominal tax rate	(2 387)
<b>Adjustments on tax expense</b>	
Utilization of tax losses not previously recognized	76
Recognition of deferred taxes assets on previous years' tax losses	229
Write-down of deferred tax assets on tax losses and current year losses for which no deferred tax asset is recognized	(975)
(Underprovided)/overprovided in prior years	63
Deductions from interest on equity	644
Deductions from goodwill	63
Other tax deductions	869
US Tax reform (change in tax rate and other)	—
Change in tax rate (other)	(1)
Withholding taxes	(286)
Brazilian Federal Tax Regularization Program	—
Other tax adjustments	93
	<b>(1 613)</b>
<b>Effective tax rate</b>	<b>37.4%</b>

The total income tax expense for 2017 amounts to 1 920m US dollar compared to 1 613m US dollar for 2016. The effective tax rate decrease from 37.4% for 2016 to 18.0% for 2017.

The 2017 effective tax rate was positively impacted by a 1.8 billion US dollar adjustment following the US tax reform enacted on 22 December 2017. This 1.8 billion US dollar adjustment results mainly from the re-measurement of the deferred tax liabilities set up in 2008 in line with IFRS as part of the purchase price accounting of the combination with Anheuser Busch and certain deferred tax assets following the change in federal tax rate from 35% to 21%. The adjustment represents the company's current best estimate of the deferred tax liability re-measurement resulting from the US Tax reform and is recognized as a non-recurring gain per 31 December 2017. The estimate will be updated in 2018 once the company will have analyzed

all necessary information to complete the exhaustive computation. This impact was partially offset by Ambev and certain of its subsidiaries joining the Brazilian Federal Tax Regularization Program in September 2017 whereby Ambev committed to pay some tax contingencies that were under dispute, totaling 3.5 billion Brazilian real (1.1 billion US dollar), with 1.0 billion Brazilian real (0.3 billion US dollar) paid in 2017 and the remaining amount payable in 145 monthly installments starting January 2018, plus interest. Within these contingencies, a dispute related to presumed taxation at Ambev's subsidiary CRBs was not provided for until September 2017 as the loss was previously assessed as possible. The total amount recognized as non-recurring amount to 2.9 billion Brazilian real (0.9 billion US dollar) of which 2.8 billion Brazilian real (0.9 billion US dollar) is reported in the income tax line and 141m Brazilian real (44m US dollar) in the finance line.

The 2016 effective tax rate was negatively impacted by the non-deductible negative mark-to-market adjustment related to the hedging of the purchase price of the combination with SAB that could not qualify for hedge accounting.

The company benefits from tax exempted income and tax credits which are expected to continue in the future. The company does not have significant benefits coming from low tax rates in any particular jurisdiction.

The normalized effective tax rate for the period ended 31 December 2017 is 22.9% (2016: 20.9%). Normalized effective tax rate is not an accounting measure under IFRS accounting and should not be considered as an alternative to the effective tax rate. Normalized effective tax rate method does not have a standard calculation method and AB InBev's definition of normalized effective tax rate may not be comparable to other companies.

Income taxes were directly recognized in other comprehensive income as follows.

Million US dollar		2016
<b>Income tax (losses)/gains</b>		
Re-measurements of post-employment benefits		54
Cash flow and net investment hedges		(258)
		(204)

### 13. Property, plant and equipment

	31 December 2016
Million US dollar	Total
<b>Acquisition cost</b>	
Balance at end of previous year as reported	35 329
Adjustments	—
<b>Balance at end of previous year as adjusted</b>	<b>35 329</b>
Effect of movements in foreign exchange	(156)
Acquisitions	4 395
Acquisitions through business combinations	9 346
Disposals	(1 683)
Disposals through the sale of subsidiaries	(88)
Transfer (to)/from other asset categories and other movements <sup>1</sup>	(1 487)
<b>Balance at end of the period</b>	<b>45 655</b>
<b>Depreciation and impairment losses</b>	
Balance at end of previous year	(16 377)
Effect of movements in foreign exchange	(190)
Depreciation	(2 986)
Disposals	1 431
Disposals through the sale of subsidiaries	(27)
Impairment losses	(39)
Transfer to/(from) other asset categories and other movements <sup>1</sup>	56
<b>Balance at end of the period</b>	<b>(18 132)</b>
<b>Carrying amount</b>	
at 31 December 2016 as reported	27 522
at 31 December 2016 as adjusted	26 219
at 31 December 2017	—

The transfer (to)/from other asset categories and other movements mainly relates to transfers from assets under construction to their respective asset categories, to contributions of assets to pension plans and to the separate presentation in the balance sheet of property, plant and equipment held for sale in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*.

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The carrying amount of property, plant and equipment subject to restrictions on title amounts to 14m US dollar.

Contractual commitments to purchase property, plant and equipment amounted to 550m US dollar as at 31 December 2017 compared to 817m US dollar as at 31 December 2016

AB InBev's net capital expenditures amounted to 4 124m US dollar in 2017 and 4 768m US dollar in 2016. Out of the total 2017 capital expenditures approximately 45% was used to improve the company's production facilities while 30% was used for logistics and commercial investments and 25% was used for improving administrative capabilities and purchase of hardware and software.

### Leased assets

The company leases land and buildings as well as equipment under a number of finance lease agreements. The carrying amount as at 31 December 2017 of leased land and buildings was 300m US dollar (31 December 2016: 302m US dollar).

## 14. Goodwill

Million US dollar		31 December 2016
<b>Acquisition cost</b>		
Balance at end of previous year as reported		65 099
Adjustments		–
Balance at end of previous year as adjusted		65 099
Effect of movements in foreign exchange		(2 222)
Disposals through the sale of subsidiaries		(187)
Acquisitions through business combinations		74 886
Reclassified as held for sale		(1 008)
<b>Balance at end of the period</b>		<b>136 566</b>
<b>Impairment losses</b>		
Balance at end of previous year		(38)
Impairment losses		–
Effect of movements in foreign exchange and other movements		4
<b>Balance at end of the period</b>		<b>(34)</b>
<b>Carrying amount</b>		
at 31 December 2016 as reported		136 533
at 31 December 2016 as adjusted		135 864
at 31 December 2017		–

Current year acquisitions through business combinations primarily reflect acquisitions of craft breweries in the US and in China, and resulted in the recognition of goodwill of 398m US dollar.

In 2017, the company completed the purchase price allocation to the individual assets acquired and liabilities assumed as part of the SAB combination, including the allocation of goodwill to the different business units in compliance with IFRS 3. The combination with SAB resulting in the recognition of goodwill of 72 406m US dollar (compared to 74 083m US dollar on a provisional basis).

The business combinations that took place in 2016, other than the combination with SAB, resulted in goodwill recognition of 803m US dollar. See also Note 6 *Acquisitions and disposals of subsidiaries*.

The carrying amount of goodwill was allocated to the different business unit levels as follows:

Million US dollar Business unit	2016 as reported
SAB	73 736
USA	33 056
Colombia	—
South Africa	—
Peru	—
Mexico	12 035
Rest of Africa	—
Australia	—
Brazil	5 531
South Korea	3 652
Ecuador	—
China	2 710
Honduras & El Salvador	—
Canada	1 892
Other countries	4 928
Reclassified as held for sale <sup>1</sup>	(1 008)
	<b>136 533</b>

AB InBev completed its annual impairment test for goodwill and concluded that, based on the assumptions described below, no impairment charge was warranted.

The company cannot predict whether an event that triggers impairment will occur, when it will occur or how it will affect the value of the asset reported. AB InBev believes that all of its estimates are reasonable: they are consistent with the company's internal reporting and reflect management's best estimates. However, inherent uncertainties exist that management may not be able to control. During its valuation, the company ran sensitivity analysis for key assumptions including the weighted average cost of capital and the terminal growth rate, in particular for the valuations of the US, Colombia, South Africa, Mexico and Peru, countries that show the highest goodwill. While a change in the estimates used could have a material impact on the calculation of the fair values and trigger an impairment charge, the company, based on the sensitivity analysis performed, is not aware of any reasonably possible change in a key assumption used that would cause a business unit's carrying amount to exceed its recoverable amount.

Goodwill impairment testing relies on a number of critical judgments, estimates and assumptions. Goodwill, which accounted for approximately 57% of AB InBev's total assets as at 31 December 2017, is tested for impairment at the business unit level (that is one level below the operating segments). The business unit level is the lowest level at which goodwill is monitored for internal management purposes. Except in cases where the initial allocation of goodwill has not been concluded by the end of the initial reporting period following the business combination, goodwill is allocated as from the acquisition date to each of AB InBev's business units that are expected to benefit from the synergies of the combination whenever a business combination occurs.

AB InBev's impairment testing methodology is in accordance with IAS 36, in which fair-value-less-cost-to-sell and value in use approaches are taken into consideration. This consists in applying a discounted free cash flow approach based on acquisition valuation models for its major business units and the business units showing a high invested capital to EBITDA multiple, and valuation multiples for its other business units.

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

- In the first three years of the model, free cash flows are based on AB InBev's strategic plan as approved by key management. AB InBev's strategic plan is prepared per business unit and is based on external sources in respect of macro-economic assumptions, industry, inflation and foreign exchange rates, past experience and identified initiatives in terms of market share, revenue, variable and fixed cost, capital expenditure and working capital assumptions.
- For the subsequent seven years of the model, data from the strategic plan is extrapolated generally using simplified assumptions such as macro-economic and industry assumptions, variable cost per hectoliter and fixed cost linked to inflation, as obtained from external sources.
- Cash flows after the first ten-year period are extrapolated generally using expected annual long-term consumer price indices (CPI), based on external sources, in order to calculate the terminal value, considering sensitivities on this metric.
- Projections are discounted at the unit's weighted average cost of capital (WACC) considering sensitivities on this metric.
- Cost to sell is assumed to reach 2% of the entity value based on historical precedents.

For the main cash generating units, the terminal growth rate applied generally ranged between 0% and 3%.

See also Note 22 Assets classified as held for sale and discontinued operations

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The WACC applied in US dollar nominal terms were as follows:

Business unit	
US	
Colombia	
South Africa	
Mexico	
Peru	
Ecuador	
Australia	
Rest of Africa	

In the sensitivity analysis performed by management, an adverse change of 1% in WACC would not cause a business unit's carrying amount to exceed its recoverable amount.

The above calculations are corroborated by valuation multiples, quoted share prices for publicly-traded subsidiaries or other available fair value indicators (i.e. recent market transactions from peers).

Although AB InBev believes that its judgments, assumptions and estimates are appropriate, actual results may differ from these estimates under different assumptions or market or macro-economic conditions.

### 15. Intangible assets

		31 December 2016
Million US dollar		Total
<b>Acquisition cost</b>		
Balance at end of previous year as reported		31 719
Adjustments		—
Balance at end of previous year as adjusted		31 719
Effect of movements in foreign exchange		(805)
Acquisitions through business combinations		20 723
Acquisitions and expenditures		563
Disposals		(161)
Transfer (to)/from other asset categories and other movements <sup>1</sup>		(5 070)
Balance at end of period		46 969
<b>Amortization and impairment losses</b>		
Balance at end of previous year		(2 042)
Effect of movements in foreign exchange		34
Amortization		(446)
Impairment losses		(3)
Disposals		142
Transfer to/(from) other asset categories and other movements <sup>1</sup>		(86)
Balance at end of period		(2 401)
<b>Carrying value</b>		
at 31 December 2016 as reported		44 568
at 31 December 2016 as adjusted		44 789
at 31 December 2017		—

AB InBev is the owner of some of the world's most valuable brands in the beer industry. As a result, brands and certain distribution rights are expected to generate positive cash flows for as long as the company owns the brands and distribution rights. Given AB InBev's more than 600-year history, brands and certain distribution rights have been assigned indefinite lives.

Acquisitions and expenditures of commercial intangibles mainly represent supply and distribution rights, exclusive multi-year sponsorship rights and other commercial intangibles.

<sup>1</sup>The transfer (to)/from other asset categories and other movements mainly relates to transfers from assets under construction to their respective asset categories, to contributions of assets to pension plans and to the separate presentation in the balance sheet of property, plant and equipment held for sale in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*.

Intangible assets with indefinite useful lives are comprised primarily of brands and certain distribution rights that AB InBev purchases for its own products, and are tested for impairment during the fourth quarter of the year or whenever a triggering event has occurred. As of 31 December 2017, the carrying amount of the intangible assets amounted to 45 874m US dollar (31 December 2016: 44 568m US dollar) of which 43 595m US dollar was assigned an indefinite useful life (31 December 2016: 42 272m US dollar) and 2 279m US dollar a finite life (31 December 2016: 2 296m US dollar).

The carrying amount of intangible assets with indefinite useful lives was allocated to the different countries as follows:

Million US dollar Country		2016
USA		21 570
Colombia		3 803
South Africa		3 518
Mexico		2 920
Peru		2 731
Australia		2 373
South Korea		938
Ecuador		604
China		373
Dominican Republic		366
Rest of Africa		1 364
Other countries		1 712
		<b>42 272</b>

Intangible assets with indefinite useful lives have been tested for impairment using the same methodology and assumptions as disclosed in Note 14 *Goodwill*. Based on the assumptions described in that note, AB InBev concluded that no impairment charge is warranted. While a change in the estimates used could have a material impact on the calculation of the fair values and trigger an impairment charge, the company is not aware of any reasonable possible change in a key assumption used that would cause a business unit's carrying amount to exceed its recoverable amount.

## 16. Investments in associates

A reconciliation of the summarized financial information to the carrying amount of the company's interests in material associates is as follows:

Million US dollar		2016	
		Castel <sup>1</sup>	Efes
Balance at 1 January		—	—
Combination with SAB		2 932	895
Dividends received		—	—
Share of results of associates		18	(27)
Effect of movements in foreign exchange		(158)	(119)
<b>Balance at 31 December</b>		<b>2 793</b>	<b>750</b>

Summarized financial information of the company's material associates is as follows:

Million US dollar		2016	
		Castel <sup>1</sup>	Efes
Current assets		3 970	1 058
Non-current assets		2 900	4 668
Current liabilities		1 391	561
Non-current liabilities		547	1 570
Non-controlling interests		762	1 464
<b>Net assets</b>		<b>4 170</b>	<b>2 131</b>
Revenue		1 236	659
Profit (loss)		42	(111)
Other comprehensive income (loss)		(108)	75
<b>Total comprehensive income (loss)</b>		<b>(66)</b>	<b>(35)</b>

<sup>1</sup>Brasseries Internationales Holding Ltd, Société des Brasseries et Glacières Internationales SA, Algerienne de Bavaroise Spa, BIH Brasseries Internationales Holding (Angola) Ltd, Marocaine d'Investissements et de Services SA, Skikda Bottling Company SARL, Société de Boissons de l'Ouest Algerien SARL, and Société des Nouvelles Brasseries together make up Castel's African beverage operations. Details of individual ownership percentages are included in Note 36 *AB InBev companies*.

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Reconciliation of the above summarized financial information to the carrying amount of the interest in Castel and Efes recognized in the consolidated financial statements is as follows:

Million US dollar		2016	
		Castel <sup>1</sup>	Efes
Net assets of the associate		4 170	2 131
Interest in associates (%)		20-40	24
Interest in associate		939	511
Goodwill		1 854	239
Carrying amount of investment in associates		<b>2 793</b>	<b>750</b>

During 2017, associates that are not individually material contributed to 78m US dollar to the results of investment in associates (2016: 47m US dollar)

Additional information related to the significant associates is presented in Note 36 *AB InBev Companies*

### 17. Investment securities

Million US dollar		2016
<b>Non-current investments</b>		
Investments in unquoted companies – available for sale		58
Debt securities held to maturity		24
		<b>82</b>
<b>Current investments</b>		
Debt securities held for trading		5 659
		<b>5 659</b>

As of 31 December 2017, current debt securities of 1 304m US dollar mainly represented investments in US Treasury Bills. The company's investments in such short-term debt securities are primarily to facilitate liquidity and for capital preservation.

The securities available for sale consist of investments in unquoted companies and are measured at cost as their fair value cannot be reliably determined.

### 18. Deferred tax assets and liabilities

The amount of deferred tax assets and liabilities by type of temporary difference can be detailed as follows:

Million US dollar	
Property, plant and equipment	
Intangible assets	
Inventories	
Trade and other receivables	
Interest-bearing loans and borrowings	
Employee benefits	
Provisions	
Derivatives	
Other items	
Loss carry forwards	
<b>Gross deferred tax assets/(liabilities)</b>	
<b>Netting by taxable entity</b>	
<b>Net deferred tax assets/(liabilities)</b>	

<sup>1</sup>Brasseries Internationales Holding Ltd, Société des Brasseries et Glacières Internationales SA, Algerienne de Bavaroise Spa, BIH Brasseries Internationales Holding (Angola) Ltd, Marocaine d'Investissements et de Services SA, Skikda Bottling Company SARL, Société de Boissons de l'Ouest Algérien SARL, and Société des Nouvelles Brasseries together make up Castel's African beverage operations. Details of individual ownership percentages are included in Note 36 *AB InBev companies*.



Million US dollar	2016		
	Assets	Liabilities	Net
Property, plant and equipment	533	(4 017)	(3 484)
Intangible assets	200	(14 863)	(14 663)
Inventories	145	(95)	50
Trade and other receivables	74	(59)	15
Interest-bearing loans and borrowings	322	(456)	(134)
Employee benefits	704	(22)	682
Provisions	578	(234)	344
Derivatives	42	(30)	12
Other items	147	(1 119)	(972)
Loss carry forwards	1 278	–	1 278
Reclassified as held for sale	(4)	1 459	1 455
<b>Gross deferred tax assets/(liabilities)</b>	<b>4 019</b>	<b>(19 436)</b>	<b>(15 417)</b>
<b>Netting by taxable entity</b>	<b>(2 758)</b>	<b>2 758</b>	<b>–</b>
<b>Net deferred tax assets/(liabilities) as reported</b>	<b>1 261</b>	<b>(16 678)</b>	<b>(15 417)</b>
Adjustments	–	1 975	1 975
<b>Net deferred tax assets/(liabilities) as adjusted</b>	<b>1 261</b>	<b>(14 703)</b>	<b>(13 442)</b>

The change in net deferred taxes recorded in the consolidated statement of financial position can be detailed as follows

Million US dollar	2016
<b>Balance at 1 January as reported</b>	<b>(10 780)</b>
Adjustments	–
<b>Balance at 1 January as adjusted</b>	<b>(10 780)</b>
Recognized in profit or loss	(116)
Recognized in other comprehensive income	(204)
Acquisitions through business combinations	(5 623)
Reclassified as held for sale	1 455
Other movements and effect of changes in foreign exchange rates	(149)
<b>Balance at 31 December as reported</b>	<b>(15 417)</b>
<b>Balance at 31 December as adjusted</b>	<b>(13 442)</b>

Following the US Tax reform enacted on 22 December 2017 whereby the US Federal tax rate was reduced from 35% to 21%, the company adjusted the deferred tax liabilities set up in 2008 in line with IFRS, as part of the purchase price accounting of the combination with Anheuser Busch and certain deferred tax assets. This adjustment provisionally estimated at 1.8 billion US dollar was recognized as a non-recurring tax gain – see also Note 12 – *Income Taxes*

Most of the temporary differences are related to the fair value adjustment on intangible assets with indefinite useful lives and property, plant and equipment acquired through business combinations. The realization of such temporary differences is unlikely to revert within 12 months.

On 31 December 2017, a deferred tax liability of 111m US dollar (2016: 121m US dollar) relating to investment in subsidiaries has not been recognized because management believes that this liability will not be incurred in the foreseeable future.

Tax losses carried forward and deductible temporary differences on which no deferred tax asset is recognized amount to 4 449m US dollar (2016: 4 499m US dollar). 2 077m US dollar of these tax losses and deductible temporary differences do not have an expiration date, 67m US dollar, 88m US dollar and 116m US dollar expire within respectively 1, 2 and 3 years, while 2 101m US dollar have an expiration date of more than 3 years. Deferred tax assets have not been recognized on these items because it is not probable that future taxable profits will be available against which these tax losses and deductible temporary differences can be utilized and the company has no tax planning strategy currently in place to utilize these tax losses and deductible temporary differences.

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### 19. Inventories

Million US dollar		2017	2016
		Adjusted	Reported
Prepayments		90	90
Raw materials and consumables		2 119	2 143
Work in progress		391	391
Finished goods		1 166	1 166
Goods purchased for resale		124	124
		<b>3 889</b>	<b>3 913</b>
<b>Inventories other than work in progress</b>			
Inventories stated at net realizable value		42	42
Carrying amount of inventories subject to collateral		–	–

The cost of inventories recognized as an expense in 2017 amounts to 21 386m US dollar, included in cost of sales (2016: 17 803m US dollar)

Impairment losses on inventories recognized in 2017 amount to 72m US dollar (2016: 70m US dollar)

### 20. Trade and other receivables

#### Non-current trade and other receivables

Million US dollar		2017
Cash deposits for guarantees		200
Loans to customers		15
Deferred collection on disposals		11
Tax receivable, other than income tax		105
Trade and other receivables		537
		<b>868</b>

For the nature of cash deposits for guarantees see Note 31 *Collateral and contractual commitments for the acquisition of property, plant and equipment, loans to customers and other*

#### Current trade and other receivables

Million US dollar		2017	2016
		Adjusted	Reported
Trade receivables and accrued income		4 523	4 562
Interest receivable		10	10
Tax receivable, other than income tax		572	572
Loans to customers		85	85
Prepaid expenses		316	316
Other receivables		846	846
		<b>6 352</b>	<b>6 391</b>

The fair value of trade and other receivables equals their carrying amounts as the impact of discounting is not significant

The ageing of the current trade receivables and accrued income, interest receivable, other receivables and current and non-current loans to customers can be detailed as follows for 2017 and 2016 respectively:

Trade receivables and accrued income		
Loans to customers		
Interest receivable		
Other receivables		

	Net carrying amount as of December 31, 2016	Of which: neither impaired nor past due on the reporting date	Of which not impaired as of the reporting date and past due			
			Less than 30 days	Between 30 and 59 days	Between 60 and 89 days	More than 90 days
Trade receivables and accrued income	4 562	4 201	189	64	37	70
Loans to customers	100	96	–	2	2	–
Interest receivable	10	10	–	–	–	–
Other receivables	846	721	42	21	6	56
	<b>5 518</b>	<b>5 028</b>	<b>231</b>	<b>87</b>	<b>45</b>	<b>126</b>

In accordance with IFRS 7 *Financial Instruments: Disclosures*, the above analysis of the age of financial assets that are past due as at the reporting date but not impaired also includes non-current loans to customers. Past due amounts were not impaired when collection is still considered likely, for instance because the amounts can be recovered from the tax authorities or AB InBev has sufficient collateral. Impairment losses on trade and other receivables recognized in 2017 amount to 59m US dollar (2016: 40m US dollar).

AB InBev's exposure to credit, currency and interest rate risks is disclosed in Note 29 *Risks arising from financial instruments*

## 21. Cash and cash equivalents

Million US dollar	31 December 2016
Short-term bank deposits	3 231
Treasury Bills	250
Cash and bank accounts	5 098
<b>Cash and cash equivalents</b>	<b>8 579</b>
<b>Bank overdrafts</b>	<b>(184)</b>
	<b>8 395</b>

The cash outstanding per 31 December 2017 includes restricted cash for an amount of 2m US dollar (31 December 2016: 2m US dollar). This restricted cash refers to outstanding consideration payable to former Anheuser-Busch shareholders who did not yet claim the proceeds from the 2008 combination.

## 22. Assets classified as held for sale, liabilities associated with assets held for sale and discontinued operations

### Assets classified as held for sale

Million US dollar	31 December 2016
<b>Balance at the end of previous year as reported</b>	<b>48</b>
Adjustments	–
<b>Balance at the end of previous year as adjusted</b>	<b>48</b>
Combination with SAB	24 805
Disposals from SAB transaction-related divestitures	(16 342)
Reclassified to assets held for sale in the period	7 959
Disposals	(28)
Effect of movements in foreign exchange	(51)
Other movements	48
<b>Balance at the end of year as reported</b>	<b>16 439</b>
<b>Balance at the end of year as adjusted</b>	<b>16 458</b>

### Liabilities associated with assets held for sale

Million US dollar	31 December 2016
<b>Balance at the end of previous year</b>	<b>–</b>
Reclassified to assets held for sale in the period	2 174
Disposals from SAB transaction-related divestitures	–
Other movements	–
<b>Balance at the end of year</b>	<b>2 174</b>

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### Completion of CCBA disposal

On 4 October 2017, AB InBev announced the completion of the transition of its 54.5% equity stake in Coca-Cola Beverages Africa ("CCBA") for 3.15 billion US dollar, after customary adjustments. AB InBev stopped consolidating CCBA in its consolidated financial statements as of that date.

CCBA, the largest Coca-Cola bottler in Africa, was formed in 2016 through the combination of the African non-alcohol ready-to-drink bottling interests of SAB, The Coca-Cola Company and Gutsche Family Investments. It includes the countries of South Africa, Namibia, Kenya, Uganda, Tanzania, Ethiopia, Mozambique, Ghana, Mayotte, and Comoros.

Following completion, CCBA will remain subject to the agreement reached with the South African Government and the South African Competition Authorities on several conditions, all of which were previously announced.

In addition the companies continue to work towards finalizing the terms and conditions of the agreement for The Coca-Cola Company to acquire AB InBev's interest in, or the bottling operations of, its businesses in Zambia, Zimbabwe, Botswana, Swaziland, Lesotho, El Salvador, and Honduras. These transactions are subject to the relevant regulatory and shareholder approvals in the different jurisdictions. By 31 December 2017, the assets and liabilities of the above operations were not reported as assets classified as held for sale and liabilities associated with assets held for sale.

### SAB announced divestitures

Proceeds from assets held for sale in the period also relate to the completion of the divestitures of the businesses formerly owned by SAB in Poland, the Czech Republic, Slovakia, Hungary and Romania, and the completion of the sale of the company's indirect shareholding in Distell Group Limited in South Africa to the Public Investment Corporation Limited. The results of the Central and Eastern European businesses acquired through the SAB combination exclusively with a view to resale, qualified as discontinued operations and have been presented as such in these consolidated financial statements until the completion of the disposal on 31 March 2017. The results of Distell were reported as share of results of associates until the completion of the disposal on 12 April 2017.

On 11 October 2016, the company completed the disposals of SAB's interests in MillerCoors and the global Miller brand, SAB's interest in China Resources Snow Breweries and part of SAB's European business. These businesses had been classified as assets held for sale upon the combination with SAB.

## 23. Changes in equity and earnings per share

### Statement of capital

The tables below summarize the changes in issued capital and treasury shares during 2017:

ISSUED CAPITAL	Issued capital	
	Million shares	Million US dollar
At the end of the previous year	2 019	1 736
Changes during the period	–	–
	<b>2 019</b>	<b>1 736</b>
Of which:		
Ordinary shares	<b>1 693</b>	
Restricted shares	<b>326</b>	

TREASURY SHARES	Treasury shares		Result on the use of treasury shares Million US dollar
	Million shares	Million US dollar	
At the end of the previous year	85.5	(8 980)	(1 452)
Changes during the period	–	–	–
	<b>85.5</b>	<b>(8 980)</b>	<b>(1 452)</b>

As at 31 December 2017, the share capital of AB InBev amounts to 1 238 608 344.12 euro (1 736 million US dollar). It is represented by 2 019 241 973 shares without nominal value, of which 85 541 785 are held in treasury by AB InBev and its subsidiaries. All shares are new ordinary shares, except for 325 999 817 Restricted Shares. As at 31 December 2017, the total of authorized, un-issued capital amounts to 37m euro.

The treasury shares held by the company are reported in equity in Treasury shares.

The holders of ordinary and restricted shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. In respect of the company's shares that are held by AB InBev, rights are suspended.

The restricted shares are unlisted, not admitted to trading on any stock exchange, and are subject to, among other things, restrictions on transfer until converted into new ordinary shares. The restricted shares will be convertible at the election of the holder into new ordinary shares on a one-for-one basis with effect from the fifth anniversary of completion of the SAB combination. From completion of the SAB combination, such restricted shares will rank equally with the new ordinary shares with respect to dividends and voting rights.

The shareholders' structure based on the notifications made to the company pursuant to the Belgian Law of 02 May 2007 on the disclosure of significant shareholdings in listed companies is included in the *Corporate Governance* section of AB InBev's annual report

#### Changes in ownership interests

In compliance with IFRS 10, the acquisition of additional shares in a subsidiary is accounted for as an equity transaction with owners

During 2017, AB InBev purchased non-controlling interests in subsidiaries for a total consideration of 206m US dollar. As the related subsidiaries were already fully consolidated, the purchases did not impact AB InBev's profit, but reduced the non-controlling interests and thus impacted the profit attributable to equity holders of AB InBev.

#### Report according to article 624 of the Belgian Companies Code - purchase of own shares

During 2017, the company proceeded with the following sale transactions:

- 778 668 shares were granted to executives of the group according to the company's executive remuneration policy,
- 3 025 512 shares were sold, as a result of the exercise of options granted to employees of the group

At the end of the period, the group owned 85 541 785 own shares of which 85 000 000 were held directly by AB InBev. The par value of the shares is 0.61 euro. As a consequence, the shares that were sold during the year 2017 represent 2 783 038 US dollar (2 320 550 euro) of the subscribed capital and the shares that the company still owned at the end of 2017 represent 62 580 115 US dollar ( 52 180 489 euro) of the subscribed capital.

#### Dividends

On 25 October 2017, an interim dividend of 1.60 euro per share or 3 089m euro was approved by the Board of Directors. This interim dividend was paid out on 16 November 2017. On 28 February 2018, in addition to the interim dividend paid on 16 November 2017, a dividend of 2.00 euro per share or 3 867m euro was proposed by the Board of Directors, reflecting a total dividend payment for 2017 fiscal year of 3.60 euro per share or 6 956m euro.

On 27 October 2016, an interim dividend of 1.60 euro per share or 3 091m euro was approved by the Board of Directors. This interim dividend was paid out on 17 November 2016. On 26 April 2017, in addition to the interim dividend paid on 17 November 2016, a dividend of 2.00 euro per share or 3 856m euro was approved at the shareholders meeting, reflecting a total dividend payment for 2016 fiscal year of 3.60 euro per share or 6 947m euro. The dividend was paid out on 4 May 2017.

#### Translation reserves

The translation reserves comprise all foreign currency exchange differences arising from the translation of the financial statements of foreign operations. The translation reserves also comprise the portion of the gain or loss on the foreign currency liabilities and on the derivative financial instruments determined to be effective net investment hedges in conformity with IAS 39 *Financial Instruments: Recognition and Measurement* hedge accounting rules.

#### Hedging reserves

The hedging reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedges to the extent the hedged risk has not yet impacted profit or loss.

#### Transfers from subsidiaries

The amount of dividends payable to AB InBev by its operating subsidiaries is subject to, among other restrictions, general limitations imposed by the corporate laws, capital transfer restrictions and exchange control restrictions of the respective jurisdictions where those subsidiaries are organized and operate. Capital transfer restrictions are also common in certain emerging market countries, and may affect AB InBev's flexibility in implementing a capital structure it believes to be efficient. As at 31 December 2017, the restrictions above mentioned were not deemed significant on the company's ability to access or use the assets or settle the liabilities of its operating subsidiaries.

Dividends paid to AB InBev by certain of its subsidiaries are also subject to withholding taxes. Withholding tax, if applicable, generally does not exceed 15%.

#### Deferred share instrument

In a transaction related to the combination with Grupo Modelo, selected Grupo Modelo shareholders committed, upon tender of their Grupo Modelo shares, to acquire 23 076 922 AB InBev shares to be delivered within 5 years for a consideration of approximately 1.5 billion US dollar. The consideration was paid on 5 June 2013. Pending the delivery of the AB InBev shares, AB InBev will pay a coupon on each undelivered AB InBev share, so that the Deferred Share Instrument holders are compensated on an after tax basis, for dividends they would have received had the AB InBev shares been delivered to them prior to the record date for such dividend.

The deferred share instrument is classified as an equity instrument, in line with IAS 32, as the number of shares and consideration received are fixed. The coupon to compensate for the dividend equivalent is reported through equity. On 4 May 2017, the company paid a coupon of 2.00 euro per share or approximately 51m US dollar. On 16 November 2017, the company paid a coupon of 1.60 euro per share or approximately 42m US dollar.

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### Stock lending

In order to fulfil AB InBev's commitments under various outstanding stock option plans, AB InBev entered into stock lending arrangements for up to 19 million of its own ordinary shares. As of 31 December 2017, the outstanding balance of loaned securities amounted to 19 million, of which 17 million were used to fulfil stock option plan commitments. AB InBev shall pay any dividend equivalent, after tax in respect of the loaned securities. This payment will be reported through equity as dividend.

### Other comprehensive income reserves

The changes in the other comprehensive income reserves are as follows:

Million US dollar	
<b>As per 1 January 2017</b>	
<b>Other comprehensive income</b>	
Exchange differences on translation of foreign operations (gains/(losses))	
Cash flow hedges	
Re-measurements of post-employment benefits	
<b>Total comprehensive income</b>	
<b>As per 31 December 2017</b>	

Million US dollar	Translation reserves	Hedging reserves	Post-employment benefits	Total OCI reserves
<b>As per 1 January 2016</b>	(11 493)	(1 217)	(1 400)	(14 110)
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operations (gains/(losses))	(3 265)	–	–	(3 265)
Foreign exchange contracts recognized in equity in relation to the SAB combination	–	(7 099)	–	(7 099)
Foreign exchange contracts reclassified from equity in relation to the SAB combination	–	8 837	–	8 837
Cash flow hedges	–	223	–	223
Re-measurements of post-employment benefits	–	–	(212)	(212)
<b>Total comprehensive income</b>	<b>(3 265)</b>	<b>1 961</b>	<b>(212)</b>	<b>(1 516)</b>
<b>As per 31 December 2016</b>	<b>(14 758)</b>	<b>744</b>	<b>(1 612)</b>	<b>(15 626)</b>

### Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2017 is based on the profit attributable to equity holders of AB InBev of 7 996m US dollar (31 December 2016: 1 241m US dollar) and a weighted average number of ordinary and restricted shares outstanding (including deferred share instruments and stock lending) per end of the period, calculated as follows:

Million shares	2016
Issued ordinary and restricted shares at 1 January, net of treasury shares	1 606
Effect of restricted shares issued upon the SAB combination	94
Effect of shares issued and share buyback programs	(20)
Effect of stock lending	12
Effect of undelivered shares under the deferred share instrument	23
<b>Weighted average number of ordinary and restricted shares at 31 December</b>	<b>1 717</b>

The calculation of diluted earnings per share is based on the profit attributable to equity holders of AB InBev of 7 996m US dollar (31 December 2016: 1 241m US dollar) and a weighted average number of ordinary and restricted shares (diluted) outstanding (including deferred share instruments and stock lending) per end of the period, calculated as follows:

Million shares	2016
Weighted average number of ordinary and restricted shares at 31 December	1 717
Effect of share options and restricted stock units	38
<b>Weighted average number of ordinary and restricted shares (diluted) at 31 December</b>	<b>1 755</b>

The calculation of earnings per share before non-recurring items and discontinued operations is based on the profit from continuing operations attributable to equity holders of AB InBev. A reconciliation of profit before non-recurring items and discontinued operations, attributable to equity holders of AB InBev to profit attributable to equity holders of AB InBev is calculated as follows:

Million US dollar	2016 <sup>1</sup>
Profit before non-recurring items and discontinued operations, attributable to equity holders of AB InBev	4 853
Non-recurring items, before taxes (refer to Note 8)	(394)
Non-recurring finance income/(cost), before taxes (refer to Note 8)	(3 356)
Non-recurring taxes (refer to Note 8)	77
Non-recurring non-controlling interest (refer to Note 8)	13
Profit from discontinued operations	48
<b>Profit attributable to equity holders of AB InBev</b>	<b>1 241</b>

The table below sets out the EPS calculation:

Million US dollar	2016
Profit attributable to equity holders of AB InBev	1 241
Weighted average number of ordinary and restricted shares	1 717
<b>Basic EPS from continuing and discontinued operations</b>	<b>0.72</b>
Profit from continuing operations attributable to equity holders of AB InBev	1 193
Weighted average number of ordinary and restricted shares	1 717
<b>Basic EPS from continuing operations</b>	<b>0.69</b>
Profit from continuing operations before non-recurring items, attributable to equity holders of AB InBev	4 853
Weighted average number of ordinary and restricted shares	1 717
<b>EPS from continuing operations before non-recurring items</b>	<b>2.83</b>
Profit attributable to equity holders of AB InBev	1 241
Weighted average number of ordinary and restricted shares (diluted)	1 755
<b>Diluted EPS from continuing and discontinued operations</b>	<b>0.71</b>
Profit from continuing operations attributable to equity holders of AB InBev	1 193
Weighted average number of ordinary and restricted shares (diluted)	1 755
<b>Diluted EPS from continuing operations</b>	<b>0.68</b>
Profit from continuing operations before non-recurring items, attributable to equity holders of AB InBev	4 853
Weighted average number of ordinary and restricted shares (diluted)	1 755
<b>Diluted EPS from continuing operations before non-recurring items</b>	<b>2.77</b>

The average market value of the company's shares for purposes of calculating the dilutive effect of share options and restricted stock units was based on quoted market prices for the period that the options and restricted stock units were outstanding. 5m share options were anti-dilutive and not included in the calculation of the dilutive effect as at 31 December 2017.

## 24. Interest-bearing loans and borrowings

This note provides information about the company's interest-bearing loans and borrowings. For more information about the company's exposure to interest rate and foreign exposure currency risk - refer to Note 29 *Risks arising from financial instruments*.

NON-CURRENT LIABILITIES Million US dollar	2016
Secured bank loans	210
Unsecured bank loans	8 266
Unsecured bond issues	105 146
Unsecured other loans	111
Finance lease liabilities	208
	<b>113 941</b>

<sup>1</sup>Reclassified to conform to 2017 presentation

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CURRENT LIABILITIES Million US dollar		2016
Secured bank loans		652
Commercial papers		2 053
Unsecured bank loans		1 396
Unsecured bond issues		4 481
Unsecured other loans		10
Finance lease liabilities		26
		<b>8 618</b>

The current and non-current interest-bearing loans and borrowings amount to 116.4 billion US dollar as of 31 December 2017, compared to 122.6 billion US dollar as of 31 December 2016.

Commercial papers amount to 1.9 billion US dollar as of 31 December 2017 and include programs in US dollar and euro with a total authorized issuance up to 3.0 billion US dollar and 1.0 billion euro, respectively.

During 2017, AB InBev completed the issuance of the following series of bonds:

Issue date	Aggregate principal amount (in millions)	Currency	Interest rate	Maturity date
15 May 2017	1 300	Canadian dollar	2.600%	15 May 2024
15 May 2017	700	Canadian dollar	4.320%	15 May 2047
24 May 2017	650	Pound sterling	1.750%	7 March 2025
24 May 2017	700	Pound sterling	2.250%	24 May 2029
24 May 2017	900	Pound sterling	2.850%	25 May 2037
6 September 2017	550	Australian dollar	3.250%	6 September 2022
6 September 2017	650	Australian dollar	3.750%	6 September 2024
6 September 2017	450	Australian dollar	4.100%	6 September 2027
6 September 2017	300	Australian dollar	3M BBSW+97bps	6 September 2022

In connection with the combination with SAB, AB InBev entered into a 75.0 billion US dollar Committed Senior Acquisition Facilities agreement dated 28 October 2015 to fund the cash consideration of the transaction. The financing consisted of a 10.0 billion US dollar Disposal Bridge Facility, a 15.0 billion US dollar Cash/DCM Bridge Facility A, a 15.0 billion US dollar Cash/DCM Bridge Facility B, a 25.0 billion US dollar Term Facility A, and a 10.0 billion US dollar Term Facility B, ("2015 senior facilities agreement").

During the first half of 2016, AB InBev cancelled the Bridge to Cash / DCM Facilities A & B and Term Facility A for a total of 55 billion US dollar of the 75.0 billion US dollar Committed Senior Acquisition Facilities following the issuance of bonds to pre-finance the SAB combination.

On 6 October 2016, the company drew down 8.0 billion US dollar under the Term Facility B and 10.0 billion US dollar under the Disposal Bridge Facility to finance the acquisition of SAB and announced that it had chosen to make an additional voluntary cancellation of 2.0 billion US dollar of the Term Facility B. On 20 October 2016, the company fully repaid the Disposal Bridge Facility, following completion of the disposals of SAB's interests in MillerCoors and the global Miller brand, SAB's interest in China Resources Snow Breweries and part of SAB's European business – see also Note 6 – *Acquisitions and disposals of subsidiaries* of the 31 December 2016 consolidated financial statements.

On 10 April 2017, the company repaid 6 billion US dollar of the 8 billion US dollar Term Facility B and on 12 June 2017, AB InBev fully repaid the remaining 2 billion US dollar outstanding. This Term Loan was the last remaining facility of the 75 billion US dollar credit facilities raised in October 2015 to finance the combination with SAB. A summation of the Facilities, related cancellations and drawdowns as of 31 December 2017 is presented below:

Facility	Term	Applicable Margin (bps)	Original Amount (billion US dollar)	2016 Cancellation (billion US dollar)	October 2016 Drawdown (billion US dollar)	October 2016 Repayment (billion US dollar)	April 2017 Repayment (billion US dollar)	June 2017 Repayment (billion US dollar)
Term Facility A	3 Years	LIBOR + 110	25.0	(25.0)	–	–	–	–
Term Facility B	5 Years	LIBOR + 125	10.0	(2.0)	(8.0)	–	6.0	2.0
Disposal Bridge Facility	1 Year	LIBOR + 100	10.0	–	(10.0)	10.0	–	–
Bridge to Cash / DCM Facility A	1 Year	LIBOR + 100	15.0	(15.0)	–	–	–	–
Bridge to Cash / DCM Facility B	2 Years	LIBOR + 100	15.0	(15.0)	–	–	–	–
			<b>75.0</b>	<b>(57.0)</b>	<b>(18.0)</b>	<b>10.0</b>	<b>6.0</b>	<b>2.0</b>

The facilities bore interest calculated at the LIBOR rate for a period equal to the length of the interest period plus an applicable margin. The margins on each facility were determined based on ratings assigned by rating agencies to AB InBev long-term debt. For Term Facility B, the margin ranged between 1.00% per annum and 1.45% per annum.



Customary commitment fees were payable on any undrawn but available funds under the 2015 senior facilities agreement. These fees were recorded in 2016 as exceptional finance cost.

On 19 April 2017, the company announced the final results of U.S. private exchange offers for any and all of the outstanding notes listed below in exchange for a combination of AB InBev's notes due 2048 and cash.

Issuer	Title of series of notes issued exchanged	Original principal amount outstanding (thousand US dollar)	Principal amount outstanding exchanged <sup>1</sup> (thousand US dollar)	Principal amount not exchanged (thousand US dollar)
Anheuser-Busch Companies	7.55% Debentures due 2030	200 000	74 046	125 954
Anheuser-Busch Companies	6.80% Debentures due 2031	200 000	19 986	180 014
Anheuser-Busch Companies	6.80% Debentures due 2032	300 000	126 932	173 068
Anheuser-Busch Companies	5.95% Debentures due 2033	300 000	148 183	151 817
Anheuser-Busch Companies	5.75% Debentures due 2036	300 000	192 686	107 314
Anheuser-Busch Companies	6.45% Debentures due 2037	500 000	252 556	247 444
Anheuser-Busch InBev Worldwide Inc	6.375% Notes due 2040	500 000	255 575	244 425
Anheuser-Busch Companies	6.00% Debentures due 2041	250 000	83 583	166 417
Anheuser-Busch Companies	6.50% Debentures due 2042	250 000	74 449	175 551
Anheuser-Busch Companies	6.50% Debentures due 2043	300 000	122 392	177 608

The new notes mature on 6 October 2048 and will bear interest at a rate per annum of 4.439%.

On 11 October 2017, AB InBev announced that the company exercised its option to redeem in full the entire outstanding principal amount of the following series of notes on 10 November 2017:

Issuer	Title of series of notes	Aggregate principal amount (million US dollar)
Anheuser-Busch InBev Finance	1.25% Notes due 2018	1 000
Anheuser-Busch InBev Worldwide	6.50% Notes due 2018	627
Anheuser-Busch Companies	4.50% Notes due 2018	200
Anheuser-Busch Companies	5.50% Notes due 2018	500
ABI SAB Group Holding Limited	6.50% Notes due 2018	73

The total principal amount of the retired notes was 2.4 billion US dollar and the redemption of the notes was financed with cash.

In 2017, the company extended the maturity date of the 9.0 billion US dollar 2010 senior facilities by two years to a new maturity date of August 30, 2022. As at 31 December 2017, there are no amounts drawn down under the 9.0 billion US dollar 2010 senior facilities.

AB InBev is in compliance with all its debt covenants as of 31 December 2017. The 2010 senior facilities do not include restrictive financial covenants.

**TERMS AND DEBT REPAYMENT  
SCHEDULE AT 31 DECEMBER 2017**  
Million US dollar

Secured bank loans  
Commercial papers  
Unsecured bank loans  
Unsecured bond issues  
Unsecured other loans  
Finance lease liabilities

**TERMS AND DEBT REPAYMENT  
SCHEDULE AT 31 DECEMBER 2016**  
Million US dollar

	Total	1 year or less	1–2 years	2–3 years	3–5 years	More than 5 years
Secured bank loans	862	652	107	26	21	56
Commercial papers	2 053	2 053	–	–	–	–
Unsecured bank loans	9 662	1 396	195	91	7 980	–
Unsecured bond issues	109 627	4 481	6 234	10 032	18 697	70 183
Unsecured other loans	121	10	20	15	22	54
Finance lease liabilities	234	26	26	31	46	105
	<b>122 559</b>	<b>8 618</b>	<b>6 582</b>	<b>10 195</b>	<b>26 766</b>	<b>70 398</b>

<sup>1</sup>In accordance to IAS 39 the exchanged bonds were kept at their previous amortized cost in accordance to IAS 39 rules.

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FINANCE LEASE LIABILITIES Million US dollar		2016 Payments	2016 Interests	2016 Principal
Less than one year		45	19	26
Between one and two years		43	16	27
Between two and three years		44	13	31
Between three and five years		70	24	46
More than 5 years		144	40	104
		<b>346</b>	<b>112</b>	<b>234</b>

Net debt is defined as non-current and current interest-bearing loans and borrowings and bank overdrafts minus debt securities and cash and cash equivalents. Net debt is a financial performance indicator that is used by AB InBev's management to highlight changes in the company's overall liquidity position. The company believes that net debt is meaningful for investors as it is one of the primary measures AB InBev's management uses when evaluating its progress towards deleveraging.

AB InBev's net debt decreased to 104.4 billion US dollar as of 31 December 2017, from 108.0 billion US dollar as of 31 December 2016. Apart from operating results net of capital expenditures, the net debt is mainly impacted by the proceeds from the announced divestitures completed during 2017 (11.7 billion US dollar), the payment of taxes on disposals completed in 2016 (3.4 billion US dollar), dividend payments to shareholders of AB InBev and Ambev (9.3 billion US dollar), the payment of interests and taxes (6.0 billion US dollar) and the impact of changes in foreign exchange rates (4.2 billion US dollar increase of net debt).

The following table provides a reconciliation of AB InBev's net debt as at 31 December:

Million US dollar		2016
Non-current interest-bearing loans and borrowings		113 941
Current interest-bearing loans and borrowings		8 618
		<b>122 559</b>
Bank overdrafts		184
Cash and cash equivalents		(8 579)
Interest bearing loans granted and other deposits (included within Trade and other receivables)		(528)
Debt securities (included within Investment securities)		(5 683)
<b>Net debt</b>		<b>107 953</b>

## 25. Employee benefits

AB InBev sponsors various post-employment benefit plans worldwide. These include pension plans, both defined contribution plans, and defined benefit plans, and other post-employment benefits. In accordance with IAS 19 *Employee Benefits* post-employment benefit plans are classified as either defined contribution plans or defined benefit plans.

### Defined contribution plans

For defined contribution plans, AB InBev pays contributions to publicly or privately administered pension funds or insurance contracts. Once the contributions have been paid, the group has no further payment obligation. The regular contributions constitute an expense for the year in which they are due. For 2017, contributions paid into defined contribution plans for the company amounted to 118m US dollar compared to 77m US dollar for 2016. The increase mainly results from the combination with SAB.

### Defined benefit plans

During 2017, the company contributed to 86 defined benefit plans, of which 64 are retirement or leaving service plans, 18 are medical cost plans and 4 other long-term employee benefit plans. Most plans provide retirement and leaving service benefits related to pay and years of service. In many of the countries the plans are partially funded. When plans are funded, the assets are held in legally separate funds set up in accordance with applicable legal requirements and common practice in each country. The medical cost plans in Barbados, Brazil, Canada, Colombia, South Africa and US provide medical benefits to employees and their families after retirement. Many of the defined benefit plans are closed to new entrants.

The present value of funded obligations includes a 230m US dollar liability related to two medical plans in Brazil, for which the benefits are provided through the Fundação Antonio Helena Zerrenner ("FAHZ"). The FAHZ is a legally distinct entity which provides medical, dental, educational and social assistance to current and retired employees of Ambev. On 31 December 2017, the actuarial liabilities related to the benefits provided by the FAHZ are fully offset by an equivalent amount of assets existing in the fund. The net liability recognized in the balance sheet is nil.

The employee benefit net liability amounts to 2 971m US dollar as of 31 December 2017 compared to 3 004m US dollar as of 31 December 2016. In 2017, the fair value of the plan assets increased by 446m US dollar and the defined benefit obligations increased by 458m US dollar. The decrease in the employee benefit net liability is mainly driven by positive asset returns and decreases in the irrecoverable surplus.

The company's net liability for post-employment and long-term employee benefit plans comprises the following at 31 December:

Million US dollar	2016
Present value of funded obligations	(7 044)
Fair value of plan assets	5 177
<b>Present value of net obligations for funded plans</b>	<b>(1 867)</b>
Present value of unfunded obligations	(908)
<b>Present value of net obligations</b>	<b>(2 775)</b>
Unrecognized asset	(168)
<b>Net liability</b>	<b>(2 943)</b>
Other long term employee benefits	(73)
Reclassified as held for sale	12
<b>Total employee benefits</b>	<b>(3 004)</b>
<b>Employee benefits amounts in the balance sheet:</b>	
Liabilities	(3 014)
Assets	10
<b>Net liability</b>	<b>(3 004)</b>

The changes in the present value of the defined benefit obligations are as follows:

Million US dollar	2016
<b>Defined benefit obligation at 1 January</b>	<b>(7 594)</b>
Current service costs	(73)
Interest cost	(347)
Past service gain/(cost)	8
Settlements	174
Benefits paid	482
Contribution by plan participants	(4)
Acquisition and disposal through business combination	(260)
Actuarial gains/(losses) – demographic assumptions	(1)
Actuarial gains/(losses) – financial assumptions	(607)
Experience adjustments	37
Exchange differences	256
Transfers and other movements	(23)
<b>Defined benefit obligation at 31 December</b>	<b>(7 952)</b>

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately 1.9 billion US dollar relating to active employees, 1.6 billion US dollar relating to deferred members and 4.9 billion US dollar relating to members in retirement.

The changes in the fair value of plan assets are as follows:

Million US dollar	2016
<b>Fair value of plan assets at 1 January</b>	<b>5 075</b>
Interest income	249
Administration costs	(24)
Return on plan assets exceeding interest income	297
Contributions by AB InBev	302
Contributions by plan participants	4
Benefits paid net of administration costs	(478)
Acquisition through business combination	68
Assets distributed on settlements	(164)
Exchange differences	(155)
Transfers and other movements	3
<b>Fair value of plan assets at 31 December</b>	<b>5 177</b>

Actual return on plans assets amounted to a gain of 472m US dollar in 2017 compared to a gain of 546m US dollar in 2016.

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The changes in the unrecognized asset are as follows:

Million US dollar	2016
<b>Irrecoverable surplus impact at 1 January</b>	<b>(137)</b>
Interest expense	(17)
Changes excluding amounts included in interest expense	(14)
<b>Irrecoverable surplus impact at 31 December</b>	<b>(168)</b>

The expense recognized in the income statement with regard to defined benefit plans can be detailed as follows:

Million US dollar	2016
Current service costs	(73)
Administration costs	(24)
Past service cost due to plan amendments and curtailments	8
(Losses)/gains on settlements	10
(Losses)/gains on due to experience and demographic assumption changes	-
<b>Profit from operations</b>	<b>(79)</b>
Net finance cost	(115)
<b>Total employee benefit expense</b>	<b>(194)</b>

The employee benefit expense is included in the following line items of the income statement

Million US dollar	2016
Cost of sales	(59)
Distribution expenses	(9)
Sales and marketing expenses	(13)
Administrative expenses	(15)
Other operating (expense)/income	10
Non-recurring items	7
Net finance cost	(115)
	<b>(194)</b>

Weighted average assumptions used in computing the benefit obligations of the company's significant plans at the balance sheet date are as follows:

Discount rate	
Price inflation	
Future salary increases	
Future pension increases	
Medical cost trend rate	
Life expectation for a 65 year old male	
Life expectation for a 65 year old female	

	2016					
	United States	Canada	Mexico	Brazil	United Kingdom	AB InBev
Discount rate	4.2%	3.9%	7.8%	10.5%	2.7%	4.4%
Price inflation	2.5%	2.0%	3.5%	4.5%	3.4%	2.8%
Future salary increases	-	1.0%	4.8%	5.8%	-	3.5%
Future pension increases	-	2.0%	3.5%	4.5%	3.1%	2.8%
Medical cost trend rate	7.0%-5.0%	4.5%	-	8.2%	-	7.2%-6.5%
Life expectation for a 65 year old male	85	86	82	85	87	86
Life expectation for a 65 year old female	88	89	85	88	89	88

Through its defined benefit pension plans and post-employment medical plans, the company is exposed to a number of risks, the most significant are detailed below:

### Investment strategy

In case of funded plans, the company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the company's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligation.

### Asset volatility

In general, the company's funded plans are invested in a combination of equities and bonds, generating high but volatile returns from equities and at the same time stable and liability-matching returns from bonds. As the plans mature, the company usually reduces the level of investment risk by investing more in assets that better match the liabilities. Since 2015, the company started the implementation of a new pension de-risking strategy to reduce the risk profile of certain plans by reducing gradually the current exposure to equities and shifting those assets to fixed income securities.

### Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

### Inflation risk

Some of the company's pension obligations, mainly in the UK, are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation could potentially increase the company's net benefit obligation.

### Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The weighted average duration of the defined benefit obligation is 13.8 years (2016: 14.0 years).

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

#### Million US dollar

Discount rate  
Price inflation  
Future salary increase  
Medical cost trend rate  
Longevity

The above are purely hypothetical changes in individual assumptions holding all other assumptions constant. Economic conditions and changes therein will often affect multiple assumptions at the same time and the effects of changes in key assumptions are not linear.

Sensitivities are what is reasonably possible changes in assumptions and they are calculated using the same approach as was used to determine the defined benefit obligation. Therefore, the above information is not necessarily a reasonable representation of future results.

The fair value of plan assets at 31 December consists of the following:

		2016		
		Quoted	Unquoted	Total
Government bonds		30%	—	30%
Corporate bonds		38%	—	38%
Equity instruments		22%	—	22%
Property		—	3%	3%
Insurance contracts and others		6%	1%	7%
		<b>96%</b>	<b>4%</b>	<b>100%</b>

AB InBev expects to contribute approximately 311m US dollar for its funded defined benefit plans and 79m US dollar in benefit payments to its unfunded defined benefit plans and post-retirement medical plans in 2018.

## 26. Share-based payments<sup>1</sup>

Different share and share option programs allow company senior management and members of the board of directors to receive or acquire shares of AB InBev or Ambev. AB InBev has three primary share-based compensation plans, the share-based compensation plan ("Share-Based Compensation Plan"), established in 2006 and amended as from 2010, the long-term incentive warrant plan ("LTI Warrant Plan"), established in 1999 and replaced by a long-term incentive stock option plan for directors ("LTI Stock Option Plan Directors") in 2014, and the long-term incentive stock-option plan for executives ("LTI Stock Option Plan Executives"), established in 2009. For all option plans, the fair value of share-based payment compensation is estimated at grant date, using a binomial Hull model, modified to reflect the IFRS 2 *Share-based Payment* requirement that assumptions about forfeiture before the end of the vesting period cannot impact the fair value of the option. All the company share-based payment plans are equity-settled.

Share-based payment transactions resulted in a total expense of 359m US dollar for the year 2017, as compared to 228m US dollar for the year 2016.

### AB InBev share-based compensation programs

#### Share-Based Compensation Plan

As from 1 January 2010, the structure of the Share-Based Compensation Plan for certain executives, including the executive board of management and other senior management in the general headquarters, has been modified. From 1 January 2011, the new plan structure applies to all other senior management. Under this plan, the executive board of management and other senior employees will receive their bonus in cash but have the choice to invest some or all of the value of their bonus in AB InBev shares with a five-year vesting period, referred to as bonus shares. Such voluntary investment leads to a 10% discount to the market price of the shares. The company will also match such voluntary investment by granting three matching shares for each bonus share voluntarily invested in, up to a limited total percentage of each participant's bonus. The percentage of the variable compensation that is entitled to get matching shares varies depending on the position of the executive. The matching is based on the gross amount of the variable compensation invested. The discount shares and matching shares are granted in the form of restricted stock units which have a five-year vesting period. Additionally, the holders of the restricted stock units may be entitled to receive from AB InBev additional restricted stock units equal to the dividends declared since the restricted stock units were granted.

During 2017, AB InBev issued 0.3m of matching restricted stock units in relation to bonus granted to company employees and management. These matching restricted stock units are valued at the share price at the day of grant representing a fair value of approximately 31m US dollar and cliff vest after five years. During 2016, AB InBev issued 0.7m of matching restricted stock units in relation to bonus granted to company employees and management. These matching restricted stock units are valued at the share price at the day of grant representing a fair value of approximately 85m US dollar and cliff vest after five years.

#### LTI Stock Option Plan for Directors

Before 2014, the company issued regularly warrants, or rights to subscribe for newly issued shares under the LTI Warrant Plan for the benefit of directors and, until 2006, for the benefit of members of the executive board of management and other senior employees. LTI warrants were subject to a vesting period ranging from one to three years. Forfeiture of a warrant occurs in certain circumstances when the holder leaves the company's employment.

Since 2007, members of the executive board of management and other employees are no longer eligible to receive warrants under the LTI Warrant Plan, but instead receive a portion of their compensation in the form of shares and options granted under the Share-Based Compensation Plan and the LTI Stock Option Plan Executives.

Since 2014, directors are no longer eligible to receive warrants under the LTI Warrant Plan. Instead, on 30 April 2014, the annual shareholders meeting decided to replace the LTI Warrant Plan by a LTI Stock Option plan for directors. As a result, grants for directors now consist of LTI stock options instead of LTI warrants (i.e. the right to purchase existing shares instead of the right to subscribe to newly issued shares). Grants are made annually at the company's shareholders meeting on a discretionary basis upon recommendation of the Remuneration Committee. The LTI stock options have an exercise price that is set equal to the market price at the time of the granting, a maximum lifetime of 10 years and an exercise period that starts after 5 years. The LTI stock options cliff vest after 5 years. Unvested options are subject to specific forfeiture provisions in the event that the directorship is not renewed upon the expiry of its term or is terminated in the course of its term, both due to a breach of duty by the director.

Furthermore, at the annual shareholders meeting of 30 April 2014, all outstanding LTI warrants granted under the company's LTI Warrant Plan were converted into LTI stock options, i.e. the right to purchase existing ordinary shares of Anheuser-Busch InBev SA/NV instead of the right to subscribe to newly issued shares. All other terms and conditions of the existing grants under the LTI Warrant Plan remain unchanged.

AB InBev granted 0.2m stock options to members of the board of directors during 2017 representing a fair value of approximately 4m US dollar (2016: 0.2m stock options with a fair value of approximately 5m US dollar).

#### LTI Stock Option Plan for Executives

As from 1 July 2009, senior employees are eligible for an annual long-term incentive to be paid out in LTI stock options (or, in future, similar share-based instruments), depending on management's assessment of the employee's performance and future potential.

<sup>1</sup>Amounts have been converted to US dollar at the average rate of the period, unless otherwise indicated.

During 2017 AB InBev issued 7.8m LTI stock options with an estimated fair value of 149m US dollar, whereby 1.4m options relate to American Depositary Shares (ADSs) and 6.4m options to AB InBev shares. In December 2016 AB InBev issued 4.6m LTI stock options with an estimated fair value of 83m US dollar, whereby 1.3m options relate to American Depositary Shares (ADSs) and 3.3m options to AB InBev shares.

#### Exceptional incentive stock options

During 2017, approximately 6.5m options were granted to a selected group of members of the senior management of the company considering the significant contribution that these employees can make to the success of the company and the achievement of integration benefits. Each option gives the grantee the right to purchase one existing AB InBev share. The options granted have an estimated fair value of 118m US dollar (2016: 13.2m options with an estimated fair value of 228m US dollar).

The options have a duration of 10 years from grant and vest on 1 January 2022. The options only become exercisable provided a performance test is met. Members of the Executive Board of Management were granted an aggregate amount of 1.8m options under this program.

During 2017, approximately 0.8m options were granted to employees of SAB. The grant results from the commitment that AB InBev has made under the terms of the combination with SAB, that it would, for at least one year, preserve the terms and conditions for employment of all employees that remain with SAB. Each option gives the grantee the right to purchase one existing AB InBev share. The options granted have an estimated fair value of 14m US dollar (2016: 1.3m options with an estimated fair value of 29m US dollar).

The options have a duration of 10 years as from granting and vest after 3 years. Specific forfeiture rules apply if the employee leaves the company before the vesting date.

During 2017, approximately 18m options were granted to a selected group of members of the senior management of the company, including a number of members of our Executive Board of Management, under a new long-term special incentive Plan which is designed to incentivize and retain senior leaders who are considered to be instrumental in achieving our long-term growth agenda over the next 10 years. Each option gives the grantee the right to purchase one existing AB InBev share. The options granted have an estimated fair value of 360m US dollar.

The options have a duration of 15 years from grant and vest on 1 January 2028. The options only become exercisable provided a performance test is met. Specific forfeiture rules apply if the employee leaves the company before the performance test achievement or vesting date.

#### Performance related incentive plan for Disruptive Growth Function

In 2016 the company implemented a new performance related incentive plan which will substitute the long-term incentive stock option plan for executives of the Disruptive Growth Function. This function was created in 2015 to accelerate new business development opportunities, focusing on initiatives in e-commerce, mobile, craft and branded experiences such as brew pubs.

During 2017, approximately 2.0m performance units were granted to senior management of the Disruptive Growth Function (2016: approximately 2.4m performance units). The value of the performance units will depend on the return of the Disruptive Growth business area. Out of these, 0.2m performance units were granted to a member of the Executive Board of Management.

The units vest after 5 years provided a performance test is met. Specific forfeiture rules apply in case the executive leaves the company.

#### Other Grants

AB InBev has in place three specific long-term incentive programs.

One program allows for the offer of restricted stock units to certain employees in certain specific circumstances, whereby grants are made at the discretion of the CEO, e.g. to compensate for assignments of expatriates in countries with difficult living conditions. The restricted stock units vest after five years and in case of termination of service before the vesting date, special forfeiture rules apply. In 2017, 0.1m restricted stock units with an estimated fair value of 9m US dollar were granted under this program to a selected number of employees (2016: 0.4m restricted stock units with an estimated fair value of 40m US dollar).

A second program allows for the exceptional offer of restricted stock units to certain employees at the discretion of the Remuneration Committee of AB InBev as a long-term retention incentive for key employees of the company. Employees eligible to receive a grant under this program receive two series of restricted stock units, the first half of the restricted stock units vesting after five years, the second half after ten years. In case of termination of service before the vesting date, special forfeiture rules apply. As of 2017, instead of restricted stock units, stock options may be granted under the program with similar vesting and forfeiture rules. During 2017, 0.8m options were granted under the program to a member of the Executive Board of Management. Each option gives the grantee the right to purchase one existing AB InBev share. The options granted have an estimated fair value of 15m US dollar. In 2016, 0.2m restricted stock units with an estimated fair value of 18m US dollar were granted under this program to a selected number of employees.

A third program allows certain employees to purchase company shares at a discount aimed as a long-term retention incentive for (i) high-potential employees of the company, who are at a mid-manager level ("People bet share purchase program") or (ii) for newly hired employees. The voluntary investment in company shares leads to the grant of an amount of matching restricted stock units or stock options which vest after 5 years. In case of termination before the vesting date, special forfeiture rules apply. In 2017, employees purchased 0.1m shares under this program for the equivalent of 5m US dollar (2016: equivalent of 0.5m US dollar). Out of these, 0.1m shares were purchased by a member of the Executive Board of Management.

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In order to maintain consistency of benefits granted to executives and to encourage international mobility of executives, an options exchange program can be executed whereby unvested options are exchanged against restricted shares that remain locked-up until 5 years after the end of the initial vesting period. In 2017, 0.3m options were exchanged against ordinary blocked shares. In 2016, no unvested options were exchanged against ordinary blocked shares. The shares that result from the exercise of the options must in principle remain locked-up until 31 December 2023. Furthermore, certain options granted have been modified whereby the dividend protected feature of these options have been cancelled and compensated by the issuance of new additional options. In 2017, no new options were issued. In 2016, 0.2m new options were issued, representing the economic value of the dividend protection feature.

The weighted average fair value of the options and assumptions used in applying the AB InBev option pricing model for the 2017 grants of awards described above are as follows:

Amounts in US dollar unless otherwise indicated <sup>1</sup>		2016	2015
Fair value of options granted		17.40	21.78
Share price		103.77	125.29
Exercise price		103.77	125.29
Expected volatility		24%	24%
Expected dividends		3.00%	3.00%
Risk-free interest rate		0.54%	0.82%

Expected volatility is based on historical volatility calculated using 3,295 days of historical data. In the determination of the expected volatility, AB InBev is excluding the volatility measured during the period 15 July 2008 until 30 April 2009, in view of the extreme market conditions experienced during that period. The binomial Hull model assumes that all employees would immediately exercise their options if the AB InBev share price is 2.5 times above the exercise price. As a result, no single expected option life applies.

The total number of outstanding AB InBev options developed as follows:

Million options		2016	2015
Options outstanding at 1 January		47.6	45.6
Options issued during the year		20.4	9.7
Options exercised during the year		(2.2)	(6.6)
Options forfeited during the year		(0.9)	(1.1)
<b>Options outstanding at the end of December</b>		<b>64.9</b>	<b>47.6</b>

The range of exercise prices of the outstanding options is between 10.32 euro (12.38 US dollar) and 121.95 euro (146.25 US dollar) while the weighted average remaining contractual life is 7.32 years.

Of the 93.0m outstanding options 9.8m are vested at 31 December 2017.

The weighted average exercise price of the AB InBev options is as follows:

Amounts in US dollar <sup>1</sup>		2016	2015
Options outstanding at 1 January		64.50	51.35
Granted during the year		104.71	126.67
Exercised during the year		32.45	32.47
Forfeited during the year		88.68	54.88
Outstanding at the end of December		76.25	64.50
Exercisable at the end of December		40.62	37.15

For share options exercised during 2017, the weighted average share price at the date of exercise was 102.60 euro (123.04 US dollar).

The total number of outstanding AB InBev restricted stock units developed as follows:

Million restricted stock units		2016	2015
Restricted stock units outstanding at 1 January		5.6	5.8
Restricted stock units issued during the year		1.4	1.0
Restricted stock units exercised during the year		(1.1)	(1.0)
Restricted stock units forfeited during the year		(0.1)	(0.2)
<b>Restricted stock units outstanding at the end of December</b>		<b>5.8</b>	<b>5.6</b>

<sup>1</sup>Amounts have been converted to US dollar at the closing rate of the respective period.



## Ambev share-based compensation programs

Since 2005, Ambev has had a plan which is substantially similar to the Share-based compensation plan under which bonuses granted to company employees and management are partially settled in shares. Under the Share-based compensation plan, Ambev issued 0.8m restricted stock units in 2017 with an estimated fair value of 5m US dollar.

As from 2010, senior employees are eligible for an annual long-term incentive to be paid out in Ambev LTI stock options (or, in future, similar share-based instruments), depending on management's assessment of the employee's performance and future potential. In 2017, Ambev granted 20.4m LTI stock options with an estimated fair value of 42m US dollar (2016: 24.8m LTI stock options with an estimated fair value of 44m US dollar).

The weighted fair value of the options and assumptions used in applying a binomial option pricing model for the 2017 Ambev grants are as follows:

Amounts in US dollar unless otherwise indicated <sup>1</sup>		2016	2015
Fair value of options granted		1.90	2.01
Share price		5.27	4.72
Exercise price		5.27	4.72
Expected volatility		27%	27%
Expected dividends		0.00% - 5.00%	0.00% - 5.00%
Risk-free interest rate		12.40%	15.90%

The total number of outstanding Ambev options developed as follows:

Million options		2016	2015
Options outstanding at 1 January		121.7	126.1
Options issued during the year		24.8	16.6
Options exercised during the year		(11.6)	(20.0)
Options forfeited during the year		(3.7)	(1.0)
<b>Options outstanding at the end of December</b>		<b>131.3</b>	<b>121.7</b>

The range of exercise prices of the outstanding options is between 0.01 Brazilian real (0.00 US dollar) and 26.09 Brazilian real (7.89 US dollar) while the weighted average remaining contractual life is 6.40 years.

Of the 135.2m outstanding options 40.2m options are vested at 31 December 2017.

The weighted average exercise price of the Ambev options is as follows:

Amounts in US dollar <sup>1</sup>		2016	2015
Options outstanding at 1 January		3.17	3.79
Granted during the year		5.27	4.72
Exercised during the year		0.77	1.29
Forfeited during the year		3.94	5.21
Outstanding at the end of December		4.26	3.17
Exercisable at the end of December		1.12	0.84

For share options exercised during 2017, the weighted average share price at the date of exercise was 18.87 Brazilian real (5.71 US dollar).

The total number of outstanding Ambev restricted stock units developed as follows:

Million restricted stock units		2016	2015
Restricted stock units outstanding at 1 January		19.1	17.5
Restricted stock units issued during the year		7.3	2.7
Restricted stock units exercised during the year		(6.1)	(0.8)
Restricted stock units forfeited during the year		(1.0)	(0.3)
<b>Restricted stock units outstanding at the end of December</b>		<b>19.3</b>	<b>19.1</b>

Additionally, as a means of creating a long term incentive (wealth incentive) for certain senior employees and members of management considered as having "high potential," share appreciation rights in the form of phantom stocks have been granted to those employees, pursuant to which the beneficiary shall receive two separate lots – Lot A and Lot B – subject to lockup periods of five and ten years, respectively.

<sup>1</sup>Amounts have been converted to US dollar at the closing rate of the respective period.

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During 2017, a limited number of Ambev shareholders who are part of the senior management of AB InBev were given the opportunity to exchange Ambev shares against a total of 0.1m AB InBev shares (0.3m AB InBev shares in 2016) at a discount of 16.7% provided that they stay in service for another five years. The fair value of this transaction amounts to approximately 2m US dollar (5m US dollar in 2016) and is expensed over the five years' service period. The fair values of the Ambev and AB InBev shares were determined based on the market price.

### 27. Provisions

Million US dollar	Restructuring	Disputes	Other	Total
<b>Balance at 1 January 2017 as reported</b>	<b>232</b>	<b>1 592</b>	<b>454</b>	<b>2 278</b>
Adjustments	—	(126)	394	268
<b>Balance at 1 January 2017 as adjusted</b>	<b>232</b>	<b>1 466</b>	<b>848</b>	<b>2 546</b>
Effect of changes in foreign exchange rates	15	20	38	73
Acquisitions through business combinations	—	—	—	—
Provisions made	88	185	35	308
Provisions used	(186)	(135)	(99)	(419)
Provisions reversed	(2)	(160)	2	(160)
Other movements	6	7	39	52
<b>Balance at 31 December 2017</b>	<b>153</b>	<b>1 383</b>	<b>864</b>	<b>2 400</b>

The restructuring provisions are primarily explained by the organizational alignments - see also Note 8 Non-recurring items. Provisions for disputes mainly relate to various disputed direct and indirect taxes and to claims from former employees.

The provisions are expected to be settled within the following time windows:

Million US dollar	Total	< 1 year	1-2 years	2-5 years	> 5 years
<b>Restructuring</b>	<b>153</b>	<b>69</b>	<b>22</b>	<b>60</b>	<b>2</b>
<b>Disputes</b>					
Income and indirect taxes	701	138	464	57	42
Labor	135	37	7	85	6
Commercial	44	16	19	6	3
Excise duties	59	—	6	53	—
Other disputes	444	30	296	117	1
	<b>1 383</b>	<b>221</b>	<b>792</b>	<b>318</b>	<b>52</b>
<b>Other provisions</b>	<b>864</b>	<b>595</b>	<b>6</b>	<b>263</b>	<b>—</b>
<b>Total provisions</b>	<b>2 400</b>	<b>885</b>	<b>820</b>	<b>641</b>	<b>54</b>

AB InBev is subject to the greenhouse gas emission allowance trading scheme in force in the European Union and a similar scheme in Korea. Acquired emission allowances are recognized at cost as intangible assets. To the extent that it is expected that the number of allowances needed to settle the CO2 emissions exceeds the number of emission allowances owned, a provision is recognized. Such provision is measured at the estimated amount of the expenditure required to settle the obligation. At 31 December 2017, the emission allowances owned fully covered the expected CO2 emissions. As such no provision needed to be recognized.

### 28. Trade and other payables

#### Non-current trade and other payables

Million US dollar		2016 Adjusted	2016 Reported
Indirect taxes payable		159	159
Trade payables		465	465
Deferred consideration on acquisitions		379	379
Other payables		313	325
		<b>1 316</b>	<b>1 328</b>

## Current trade and other payables

Million US dollar		2016
Trade payables and accrued expenses		14 071
Payroll and social security payables		1 027
Indirect taxes payable		2 750
Interest payable		1 797
Consigned packaging		974
Dividends payable		447
Deferred income		52
Deferred consideration on acquisitions		1 640
Other payables		327
		<b>23 086</b>

Deferred consideration on acquisitions is mainly comprised of 1.6 billion US dollar for the put option included in the 2012 shareholders' agreement between Ambev and E. León Jimenes S.A. ("ELJ") as amended in 2017 to allow for a partial exercise of the option, which may result in Ambev acquiring additional Class B shares of Cerveceria Nacional Dominicana S.A. ("CND"). The put option granted to ELJ is exercisable since 2013. The valuation of this option is based on the EBITDA of the consolidated operations in Dominican Republic. On 1 December 2017, Ambev announced that ELJ partially exercised its option to sell approximately 30% of the shares of CND for an amount of 0.9 billion US dollar. The transaction closed in January 2018 resulting in Ambev's participation in CND increasing from 55% to 85%.

## 29. Risks arising from financial instruments

AB InBev's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest risk, commodity risk and equity risk), credit risk and liquidity risk. The company analyses each of these risks individually as well as on an interconnected basis, and defines strategies to manage the economic impact on the company's performance in line with its financial risk management policy.

Some of the company's risk management strategies include the usage of derivatives. The main derivative instruments used are foreign currency rate agreements, exchange traded foreign currency futures and options, interest rate swaps and forwards, cross currency interest rate swaps ("CCIRS"), exchange traded interest rate futures, commodity swaps, exchange traded commodity futures and equity swaps. AB InBev's policy prohibits the use of derivatives in the context of speculative trading.

The following table provides an overview of the derivative financial instruments outstanding at year-end by maturity bucket. The amounts included in this table are the notional amounts.

Million US dollar	2016				
	< 1 year	1-2 years	2-3 years	3-5 years	> 5 years
<b>Foreign currency</b>					
Forward exchange contracts	22 396	96	—	—	—
Foreign currency futures	610	—	—	—	—
<b>Interest rate</b>					
Interest rate swaps	1 292	1 075	2 250	784	3 630
Cross currency interest rate swaps	1 553	785	1 796	460	1 134
Interest rate futures	—	—	46	77	—
Other interest rate derivatives	—	—	—	—	565
<b>Commodities</b>					
Aluminum swaps	1 211	31	—	—	—
Other commodity derivatives	1 124	189	—	—	—
<b>Equity</b>					
Equity derivatives	10 087	235	—	—	—

## A. Foreign currency risk

AB InBev incurs foreign currency risk on borrowings, investments, (forecasted) sales, (forecasted) purchases, royalties, dividends, licenses, management fees and interest expense/income whenever they are denominated in a currency other than the functional currency of the subsidiary. The main derivative financial instruments used to manage foreign currency risk are foreign currency rate agreements, exchange traded foreign currency futures and cross currency interest rate swaps.

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### Foreign exchange risk on the combination with SAB

During 2015 and 2016, AB InBev entered into derivative foreign exchange forward contracts, as well as other non-derivative items also documented in a hedge accounting relationship, in order to economically hedge against exposure to changes in the US dollar exchange rate for the cash component of the SAB purchase consideration in pound sterling and South African rand. Although these derivatives and non-derivative items were considered to be economic hedges, only a portion of such derivatives could qualify for hedge accounting under IFRS rules. Since inception of the derivative contracts in 2015 and upon the completion of the combination with SAB, 12.3 billion US dollar negative mark-to-market adjustment related to such hedging were recognized cumulatively over 2015 and 2016, of which 7.4 billion US dollar qualified for hedge accounting and was, accordingly, allocated as part of the consideration paid.

The portion that did not qualify for hedge accounting was reported as an exceptional finance cost in the profit and loss account in 2016 - see Note 11 *Finance cost and income*. Furthermore, the settlement of the derivatives that did not qualify for hedge accounting was classified as cash flow from financing activities in the consolidated cash flow statement.

### Foreign exchange risk on operating activities

As far as foreign currency risk on firm commitments and forecasted transactions is concerned, AB InBev's policy is to hedge operational transactions which are reasonably expected to occur (e.g. cost of goods sold and selling, general & administrative expenses) within the forecast period determined in the financial risk management policy. Operational transactions that are certain are hedged without any limitation in time. Non-operational transactions (such as acquisitions and disposals of subsidiaries) are hedged as soon as they are certain.

The table below provides an indication of the company's main net foreign currency positions as regards firm commitments and forecasted transactions for the most important currency pairs. The open positions are the result of the application of AB InBev's risk management policy. Positive amounts indicate that the company is long (net future cash inflows) in the first currency of the currency pair while negative amounts indicate that the company is short (net future cash outflows) in the first currency of the currency pair. The second currency of the currency pairs listed is the functional currency of the related subsidiary.

Million US dollar	31 December 2016		
	Total exposure	Total hedges	Open position
Euro/Canadian dollar	(52)	52	-
Euro/Mexican peso	(159)	197	38
Euro/Pound sterling	(33)	146	113
Euro/Russian ruble	(64)	93	29
Euro/South African rand	(64)	64	-
Euro/South Korean won	(63)	55	(8)
Euro/Ukrainian hryvnia	(60)	-	(60)
Euro/US dollar	(924)	483	(441)
Pound sterling/Euro	(69)	71	2
Pound sterling/US dollar	(492)	162	(330)
US dollar/Argentinean peso	(219)	219	-
US dollar/Australian dollar	(171)	73	(98)
US dollar/Bolivian boliviano	(59)	59	-
US dollar/Brazilian real	(1 102)	1 102	-
US dollar/Canadian dollar	(347)	347	-
US dollar/Chilean peso	(255)	255	-
US dollar/Chinese yuan	(248)	228	(20)
US dollar/Colombian peso	(202)	187	(15)
US dollar/Euro	(115)	68	(47)
US dollar/Honduran lempira	(172)	-	(172)
US dollar/Mexican peso	(952)	1 065	113
US dollar/Nigerian naira	(87)	-	(87)
US dollar/Paraguayan guarani	(136)	136	-
US dollar/Peruvian nuevo sol	(196)	123	(73)
US dollar/Russian ruble	(71)	91	20
US dollar/South African rand	(95)	95	-
US dollar/South Korean won	(48)	112	64
US dollar/Tanzanian shilling	(85)	14	(71)
US dollar/Ukrainian hryvnia	(22)	-	(22)
US dollar/Uruguayan peso	(44)	44	-
US dollar/Zambian kwacha	(89)	-	(89)
Others	(390)	71	(319)

Further analysis on the impact of open currency exposures is performed in the *Currency Sensitivity Analysis* below.

In conformity with IAS 39 hedge accounting rules, these hedges of firm commitments and highly probable forecasted transactions denominated in foreign currency are designated as cash flow hedges

#### Foreign exchange risk on net investments in foreign operations

AB InBev enters into hedging activities to mitigate exposures related to its investments in foreign operations. These strategies are designated as net investment hedges and include both derivative and non-derivative financial instruments

As of 31 December 2017, designated derivative and non-derivative financial instruments in a net investment hedge relationship amount to 7 424m US dollar equivalent (15 583m US dollar in 2016) in Holding companies and approximately 1 669m US dollar equivalent (1 497m US dollar in 2016) at Ambev level. Those derivatives and non-derivatives are used to hedge foreign operations with functional currencies mainly denominated in Brazilian real, Canadian dollar, Dominican peso, euro, Mexican peso, pound sterling, South Korean won and US dollar

#### Foreign exchange risk on foreign currency denominated debt

It is AB InBev's policy to have the debt in the subsidiaries as much as possible linked to the functional currency of the subsidiary. To the extent this is not the case, hedging is put in place unless the cost to hedge outweighs the benefits. Interest rate decisions and currency mix of debt and cash are decided on a global basis and take into consideration the holistic risk management approach.

A description of the foreign currency risk hedging related to the debt instruments issued in a currency other than the functional currency of the subsidiary is further detailed in the *Interest Rate Risk* section below.

#### Currency sensitivity analysis

**Currency transactional risk** Most of AB InBev's non-derivative monetary financial instruments are either denominated in the functional currency of the subsidiary or are converted into the functional currency through the use of derivatives. However, the company can have open positions in certain countries for which hedging can be limited as the illiquidity of the local foreign exchange market prevents the company from hedging at a reasonable cost. The transactional foreign currency risk mainly arises from open positions in Australian dollar, Chinese yuan, Colombian peso, Mexican peso, Nigerian naira, Peruvian nuevo sol, pound sterling, Russian ruble, South African rand, South Korean won, Tanzanian shilling, Ukrainian hryvnia and Zambian kwacha against the US dollar and the euro. AB InBev estimated the reasonably possible change of exchange rate, on the basis of the average volatility on the open currency pairs, as follows:

Euro/Mexican peso
Euro/Pound sterling
Euro/Russian ruble
Euro/South Korean won
Euro/Ukrainian hryvnia
Euro/US dollar
Pound sterling/US dollar
US dollar/Australian dollar
US dollar/Chinese yuan
US dollar/Colombian peso
US dollar/Euro
US dollar/Mexican peso
US dollar/Nigerian naira
US dollar/Peruvian nuevo sol
US dollar/Russian ruble
US dollar/South African rand
US dollar/South Korean won
US dollar/Tanzanian shilling
US dollar/Ukrainian hryvnia
US dollar/Zambian kwacha

<sup>1</sup>Sensitivity analysis is assessed based on the yearly volatility using daily observable market data during 250 days at 31 December 2017

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	2016		Volatility of rates in %
	Closing rate 31 December 2016	Possible closing rate <sup>1</sup>	
Euro/Mexican peso	21.78	18.12 – 25.45	16.83%
Euro/Pound sterling	0.86	0.76 – 0.96	11.63%
Euro/Russian ruble	63.94	51.45 – 76.43	19.53%
Euro/Ukrainian hryvnia	28.66	24.85 – 32.47	13.30%
Euro/US dollar	1.05	0.97 – 1.14	8.09%
Pound sterling/US dollar	1.23	1.06 – 1.40	13.99%
US dollar/Australian dollar	1.38	1.23 – 1.54	11.22%
US dollar/Chinese yuan	6.94	6.57 – 7.32	5.45%
US dollar/Colombian peso	3 002.14	2 449.43 – 3 554.86	18.41%
US dollar/Euro	0.95	0.87 – 1.03	8.09%
US dollar/Honduran lempira	23.49	23.36 – 23.63	0.57%
US dollar/Mexican peso	20.66	17.20 – 24.13	16.76%
US dollar/Nigerian naira	315.28	192.49 – 438.07	38.95%
US dollar/Peruvian nuevo sol	3.35	3.11 – 3.60	7.29%
US dollar/Russian ruble	60.66	48.77 – 72.55	19.60%
US dollar/South Korean won	1 203.90	1 039.01 – 1 368.80	13.70%
US dollar/Tanzanian shilling	2 180.87	2 151.10 – 2 210.64	1.37%
US dollar/Ukrainian hryvnia	27.19	24.27 – 30.11	10.74%
US dollar/Zambian kwacha	9.94	8.06 – 11.82	18.91%

Had the Australian dollar, Chinese yuan, Colombian peso, Mexican peso, Nigerian naira, Peruvian nuevo sol, pound sterling, Russian ruble, South African rand, South Korean won, Tanzanian shilling, Ukrainian hryvnia and Zambian kwacha weakened/strengthened during 2017 by the above estimated changes against the euro or the US dollar, with all other variables held constant, the 2017 impact on consolidated profit before taxes would have been approximately 142m US dollar (112m US dollar in 2016) higher/lower.

Additionally, the AB InBev sensitivity analysis<sup>1</sup> to the foreign exchange rates on its total derivatives positions as of 31 December 2017, shows a positive/negative pre-tax impact on equity reserves of 639m US dollar (774m US dollar in 2016).

### Net foreign exchange results

Foreign exchange results recognized on unhedged and hedged exposures and from the related hedging derivative instruments can be summarized per type of hedging relationship as follows:

Million US dollar	2016
Cash flow hedges - hedged items	98
Cash flow hedges - hedging instruments (reclassified from equity)	(151)
Economic hedges - hedged items not part of a hedge accounting relationship	9
Economic hedges - hedging instruments not part of a hedge accounting relationship	(45)
Other results - not hedged	68
	(21)

## B. Interest rate risk

The company applies a dynamic interest rate hedging approach whereby the target mix between fixed and floating rate debt is reviewed periodically. The purpose of AB InBev's policy is to achieve an optimal balance between cost of funding and volatility of financial results, while taking into account market conditions as well as AB InBev's overall business strategy.

### Fair value hedge

**US dollar fixed rate bond hedges (interest rate risk on borrowings in US dollar)** The company entered into several US dollar fixed/floating interest rate swaps to manage and reduce the impact of changes in the US dollar interest rates on the fair value of certain fixed rate bonds with an aggregate principal amount of 3.0 billion US dollar.

These derivative instruments have been designated in a fair value hedge accounting relationship.

<sup>1</sup>Sensitivity analysis is assessed based on the yearly volatility using daily observable market data during 250 days at 31 December 2016.

**Cash flow hedge**

**Canadian dollar bond hedges (foreign currency risk + interest rate risk on borrowings in Canadian dollar)** In January 2013, the company issued a series of notes in an aggregated principal amount of 1.2 billion Canadian dollar. These bonds bear interest at 2.375% with maturity in January 2018 and 3.375% with maturity in January 2023.

The company entered into several Canadian dollar fixed/US dollar fixed cross currency interest rate swaps to manage and reduce the impact of changes in the Canadian dollar exchange rate and interest rate on these bonds.

These derivative instruments have been designated in a cash flow hedge accounting relationship.

**Pound sterling bond hedges (foreign currency risk + interest rate risk on borrowings in pound sterling)** In September 2013, the company issued a pound sterling bond for an equivalent of 500m pound sterling. This bond bears interest at 4.00% per year with maturity in September 2025.

The company entered into several pound sterling fixed/euro fixed cross currency interest rate swaps to manage and reduce the impact of changes in the pound sterling exchange rate and interest rate on this bond.

These derivative instruments have been designated in a cash flow hedge accounting relationship.

**Economic hedge**

**Marketable debt security hedges (interest rate risk on Brazilian real)** During 2017 and 2016, Ambev invested in highly liquid Brazilian real denominated government debt securities.

The company also entered into interest rate future contracts in order to offset the Brazilian real interest rate exposure of such government bonds. Since both instruments are measured at fair value with changes recorded into profit or loss, no hedge accounting designation was done.

**Interest rate sensitivity analysis**

In respect of interest-bearing financial liabilities, the table below indicates their effective interest rates at balance sheet date as well as the split per currency in which the debt is denominated.

<b>31 December 2017</b> <b>Interest-bearing financial liabilities</b> <b>Million US dollar</b>	
<b>Floating rate</b> Australian dollar Brazilian real Canadian dollar Euro South Africa rand US dollar Other	
<b>Fixed rate</b> Australian dollar Brazilian real Canadian dollar Euro Peruvian nuevo sol Pound sterling South Korean won US dollar Other	

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31 December 2016	Before hedging		After hedging	
Interest-bearing financial liabilities Million US dollar	Effective interest rate	Amount	Effective interest rate	Amount
<b>Floating rate</b>				
Brazilian real	9.76%	205	12.62%	729
Canadian dollar	1.55%	386	1.55%	386
Euro	0.20%	3,037	0.12%	4,046
South African rand	8.30%	446	8.30%	446
US dollar	1.82%	10,187	2.33%	18,002
Other	18.75%	352	18.75%	352
		<b>14,613</b>		<b>23,961</b>
<b>Fixed rate</b>				
Australian dollar	3.85%	520	3.85%	520
Brazilian real	6.67%	375	6.20%	258
Canadian dollar	2.93%	886	2.89%	554
Euro	0.26%	23,991	1.86%	26,396
Peruvian nuevo sol	5.88%	119	5.88%	119
Pound sterling	6.80%	2,212	9.75%	594
South Korean won	—	—	2.50%	1,000
US dollar	4.06%	79,615	4.15%	68,928
Other	11.41%	412	11.41%	412
		<b>108,130</b>		<b>98,782</b>

At 31 December 2017, the total carrying amount of the floating and fixed rate interest-bearing financial liabilities before hedging listed above includes bank overdrafts of 117m US dollar.

As disclosed in the above table, 7,709m US dollar or 6.62% of the company's interest bearing financial liabilities bear a variable interest rate. The company estimated that the reasonably possible change of the market interest rates applicable to its floating rate debt after hedging is as follows.

Brazilian real	
Canadian dollar	
Euro	
South African rand	
US dollar	

	2016		
	Interest rate 31 December 2016 <sup>1</sup>	Possible interest rate <sup>2</sup>	Volatility of rates in %
Brazilian real	13.20%	12.88% - 13.53%	2.46%
Canadian dollar	0.95%	0.87% - 1.02%	7.83%
Euro	—	—	11.84%
South African rand	7.36%	6.95% - 7.77%	5.55%
US dollar	1.00%	0.89% - 1.11%	11.08%

When AB InBev applies the reasonably possible increase/decrease in the market interest rates mentioned above on its floating rate debt at 31 December 2017, with all other variables held constant, 2017 interest expense would have been 12m US dollar higher/lower (2016: 23m US dollar). This effect would be more than offset by -81m US dollar higher/lower interest income on AB InBev's interest-bearing financial assets (2016: 53m US dollar).

<sup>1</sup>Applicable 3-month InterBank Offered Rates as of 31 December 2017 and as of 31 December 2016

<sup>2</sup>Sensitivity analysis is assessed based on the yearly volatility using daily observable market data during 250 days at 31 December 2017 and at December 2016. For the Brazilian real floating rate debt, the estimated market interest rate is composed of the InterBank Deposit Certificate ('CDI') and the Long-Term Interest Rate ('TJLP'). With regard to other market interest rates, the company's analysis is based on the 3-month InterBank Offered Rates applicable for the currencies concerned (e.g. EURIBOR 3M, LIBOR 3M).



**Interest expense**

Interest expense recognized on unhedged and hedged financial liabilities and the net interest expense from the related hedging derivative instruments can be summarized per type of hedging relationship as follows

Million US dollar	2016
Financial liabilities measured at amortized cost – not hedged	(4 119)
Fair value hedges – hedged items	(73)
Fair value hedges – hedging instruments	42
Cash flow hedges – hedged items	(24)
Cash flow hedges – hedging instruments (reclassified from equity)	16
Net investment hedges - hedging instruments (interest component)	34
Economic hedges - hedged items not part of a hedge accounting relationship	8
Economic hedges - hedging instruments not part of a hedge accounting relationship	24
	<b>(4 092)</b>

**C. Commodity price risk**

The commodity markets have experienced and are expected to continue to experience price fluctuations. AB InBev therefore uses both fixed price purchasing contracts and commodity derivatives to minimize exposure to commodity price volatility. The company has important exposures to the following commodities: aluminum, barley, coal, corn grits, corn syrup, corrugated board, diesel, fuel oil, glass, hops, labels, malt, natural gas, orange juice, plastics, rice, steel and wheat. As of 31 December 2017, the company has the following commodity derivatives outstanding (in notional amounts): aluminum swaps for 1 412m US dollar (2016: 1 242m US dollar), natural gas and energy derivatives for 211m US dollar (2016: 189m US dollar), exchange traded sugar futures for 87m US dollar (2016: 93m US dollar), corn swaps for 223m US dollar (2016: 179m US dollar), exchange traded wheat futures for 509m US dollar (2016: 557m US dollar), rice swaps for 221m US dollar (2016: 190m US dollar) and plastic derivatives for 91m US dollar (2016: 105m US dollar). These hedges are designated in a cash flow hedge accounting relationship.

**Commodity price sensitivity analysis**

The impact of changes in the commodity prices for AB InBev's derivative exposures would have caused an immaterial impact on 2017 profits as most of the company's commodity derivatives are designated in a hedge accounting relationship.

The table below shows the estimated impact that changes in the price of the commodities, for which AB InBev held material derivative exposures at 31 December 2017, would have on the equity reserves.

Million US dollar	2016		
		Pre-tax impact on equity	
Million US dollar	Volatility of prices in % <sup>2</sup>	Prices increase	Prices decrease
Aluminum	15.80%	196	(196)
Sugar	32.63%	30	(30)
Wheat	26.43%	147	(147)
Energy	28.60%	54	(54)
Rice	26.38%	50	(50)
Corn	24.30%	44	(44)
Plastic	18.62%	20	(20)

Sensitivity analysis is assessed based on the yearly volatility using daily observable market data during 250 days at 31 December 2017

<sup>2</sup>Sensitivity analysis is assessed based on the yearly volatility using daily observable market data during 250 days at 31 December 2016

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### D. Equity price risk

AB InBev entered into a series of derivative contracts to hedge the risk arising from the different share-based payment programs. The purpose of these derivatives is mainly to effectively hedge the risk that a price increase in the AB InBev shares will negatively impact future cash flows related to the share-based payments. Furthermore, AB InBev entered into a series of derivative contracts to hedge the deferred share instrument related to the Modelo combination (see also Note 11 *Finance cost and income* and Note 23 *Changes in equity and earnings per share*) and some share-based payments in connection with the combination with SAB. Most of these derivative instruments could not qualify for hedge accounting therefore they have not been designated in any hedging relationships.

As of 31 December 2017, an exposure for an equivalent of 92.4m of AB InBev shares was hedged, resulting in a total loss of 579m US dollar recognized in the profit or loss account for the period, of which 291m US dollar related to the company's share-based payment programs, 146m US dollar and 142m US dollar related to the Modelo and SAB transactions, respectively.

Between 2012 and 2016, AB InBev reset with counterparties certain derivative contracts to market price. This resulted in a cash inflow of 3.2 billion US dollar between 2012 and 2016 and a cash outflow of 0.3 billion US dollar in 2017 and, accordingly, a decrease of counterparty risk.

#### Equity price sensitivity analysis

The sensitivity analysis on the share-based payments hedging program, calculated based on a 15.68% (2016: 22.84%) reasonable possible volatility<sup>1</sup> of the AB InBev share price and with all the other variables held constant, would show 1.422m US dollar positive/negative impact on the 2017 profit before tax (2016: 2.236m US dollar).

### E. Credit risk

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to AB InBev in relation to lending, hedging, settlement and other financial activities. The company has a credit policy in place and the exposure to counterparty credit risk is monitored.

AB InBev mitigates its exposure to counterparty credit risk through minimum counterparty credit guidelines, diversification of counterparties, working within agreed counterparty limits and through setting limits on the maturity of financial assets. The company has furthermore master netting agreements with all of the financial institutions that are counterparties to the over the counter (OTC) derivative financial instruments. These agreements allow for the net settlement of assets and liabilities arising from different transactions with the same counterparty. Based on these factors, AB InBev considers the risk of counterparty default per 31 December 2017 to be limited.

AB InBev 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. To mitigate pre-settlement risk, minimum counterparty credit standards become more stringent as the duration of the derivative financial instruments increases. To minimize the concentration of counterparty credit risk, the company enters into derivative transactions with different financial institutions.

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure of the company. The carrying amount is presented net of the impairment losses recognized. The maximum exposure to credit risk at the reporting date was:

Million US dollar	2016		
	Gross	Impairment	Net carrying amount
Debt securities held for trading	5 659	–	5 659
Available for sale	65	(7)	58
Held to maturity	24	–	24
Trade receivables	4 399	(202)	4 197
Cash deposits for guarantees	200	–	200
Loans to customers	100	–	100
Other receivables	2 818	(109)	2 709
Derivatives	1 117	–	1 117
Cash and cash equivalents	8 579	–	8 579
	<b>22 961</b>	<b>(318)</b>	<b>22 643</b>

There was no significant concentration of credit risks with any single counterparty per 31 December 2017 and no single customer represented more than 10% of the total revenue of the group in 2017.

<sup>1</sup>Sensitivity analysis is assessed based on the yearly volatility using daily observable market data during 250 days at 31 December 2017.

**Impairment losses**

The allowance for impairment recognized during the period per classes of financial assets was as follows:

<b>Million US dollar</b>	
Balance at 1 January	
Impairment losses	
Derecognition	
Currency translation and other	
<b>Balance at 31 December</b>	

Million US dollar	2016				
	Available for sale	Trade receivables	Loans to customers	Other receivables	Total
Balance at 1 January	(9)	(230)	–	(99)	(338)
Impairment losses	–	(43)	–	–	(43)
Derecognition	–	69	–	2	71
Currency translation and other	2	2	–	(12)	(8)
<b>Balance at 31 December</b>	<b>(7)</b>	<b>(202)</b>	<b>–</b>	<b>(109)</b>	<b>(318)</b>

**F. Liquidity risk**

AB InBev's primary sources of cash flow have historically been cash flows from operating activities, the issuance of debt, bank borrowings and the issuance of equity securities. AB InBev's material cash requirements have included the following:

- Debt service,
- Capital expenditures,
- Investments in companies,
- Increases in ownership of AB InBev's subsidiaries or companies in which it holds equity investments,
- Share buyback programs, and
- Payments of dividends and interest on shareholders' equity

The company believes that cash flows from operating activities, available cash and cash equivalent and short term investments, along with the derivative instruments and access to borrowing facilities, will be sufficient to fund capital expenditures, financial instrument liabilities and dividend payments going forward. It is the intention of the company to continue to reduce its financial indebtedness through a combination of strong operating cash flow generation and continued refinancing.

The following are the nominal contractual maturities of non-derivative financial liabilities including interest payments and derivative financial assets and liabilities:

<b>Million US dollar</b>	
<b>Non-derivative financial liabilities</b>	
Secured bank loans	
Commercial papers	
Unsecured bank loans	
Unsecured bond issues	
Unsecured other loans	
Finance lease liabilities	
Bank overdraft	
Trade and other payables	
<b>Derivative financial assets/(liabilities)</b>	
Interest rate derivatives	
Foreign exchange derivatives	
Cross currency interest rate swaps	
Commodity derivatives	
Equity derivatives	
Of which, directly related to cash flow hedges	

"Carrying amount" refers to net book value as recognized in the balance sheet at each reporting date

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Million US dollar	2016					
	Carrying amount <sup>1</sup>	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Secured bank loans	(862)	(937)	(676)	(116)	(33)	(32)
Commercial papers	(2 053)	(2 054)	(2 054)	–	–	–
Unsecured bank loans	(9 662)	(11 057)	(1 618)	(535)	(365)	(8 535)
Unsecured bond issues	(109 627)	(162 300)	(7 284)	(10 262)	(13 713)	(25 383)
Unsecured other loans	(122)	(279)	(27)	(41)	(33)	(41)
Finance lease liabilities	(234)	(346)	(44)	(42)	(44)	(70)
Bank overdraft	(184)	(184)	(184)	–	–	–
Trade and other payables	(24 879)	(25 398)	(23 717)	(449)	(209)	(331)
	<b>(147 623)</b>	<b>(202 555)</b>	<b>(35 604)</b>	<b>(11 445)</b>	<b>(14 397)</b>	<b>(34 392)</b>
<b>Derivative financial assets/(liabilities)</b>						
Interest rate derivatives	(267)	(269)	5	3	(13)	(35)
Foreign exchange derivatives	47	42	44	(2)	–	–
Cross currency interest rate swaps	(32)	(58)	22	(97)	–	55
Commodity derivatives	125	117	107	10	–	–
Equity derivatives	(490)	(499)	(499)	–	–	–
	<b>(617)</b>	<b>(667)</b>	<b>(321)</b>	<b>(86)</b>	<b>(13)</b>	<b>20</b>
Of which: directly related to cash flow hedges	28	6	176	(112)	(2)	–
						<b>(267)</b>

## G. Capital management

AB InBev is continuously optimizing its capital structure targeting to maximize shareholder value while keeping the desired financial flexibility to execute the strategic projects. AB InBev's capital structure policy and framework aims to optimize shareholder value through cash flow distribution to the company from its subsidiaries, while maintaining an investment-grade rating and minimizing investments with returns below AB InBev's weighted average cost of capital. Besides the statutory minimum equity funding requirements that apply to the company's subsidiaries in the different countries, AB InBev is not subject to any externally imposed capital requirements. When analyzing AB InBev's capital structure the company uses the same debt/equity classifications as applied in the company's IFRS reporting.

## H. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In conformity with IAS 39 all derivatives are recognized at fair value in the balance sheet.

The fair value of derivative financial instruments is either the quoted market price or is calculated using pricing models taking into account current market rates.

The fair value of these instruments generally reflects the estimated amount that AB InBev would receive on the settlement of favorable contracts or be required to pay to terminate unfavorable contracts at the balance sheet date, and thereby takes into account any unrealized gains or losses on open contracts.

<sup>1</sup>"Carrying amount" refers to net book value as recognized in the balance sheet at each reporting date.

The following table summarizes for each type of derivative the fair values recognized as assets or liabilities in the balance sheet:

Million US dollar	Assets	Liabilities	Net
	2016	2016	2016
<b>Foreign currency</b>			
Forward exchange contracts	492	(441)	51
Foreign currency futures	3	(7)	(4)
<b>Interest rate</b>			
Interest rate swaps	26	(216)	(190)
Cross currency interest rate swaps	182	(214)	(32)
Other interest rate derivatives	–	(77)	(77)
<b>Commodities</b>			
Aluminum swaps	69	(8)	61
Sugar futures	22	(5)	17
Wheat futures	52	(30)	22
Other commodity derivatives	46	(21)	25
<b>Equity</b>			
Equity derivatives	225	(715)	(490)
	<b>1 117</b>	<b>(1 734)</b>	<b>(617)</b>
<b>Of which:</b>			
Non-current	146	(471)	(325)
Current	971	(1 263)	(292)

The following table summarizes the carrying amounts of the fixed rate interest-bearing financial liabilities as recognized in the balance sheet and the fair value of these liabilities. The fair value was assessed using common discounted cash-flow method based on market conditions existing at the balance sheet date. Therefore, the fair value of the fixed interest-bearing liabilities is within level 2 of the fair value hierarchy as set forth by IFRS 13 – *Fair value measurement*. Floating rate interest-bearing financial liabilities and all trade and other receivables and payables, including derivatives financial instruments, have been excluded from the analysis as their carrying amounts as recognized in the balance sheet are a reasonable approximation of their fair values:

Interest-bearing financial liabilities	2016	2016
Million US dollar	Carrying amount <sup>1</sup>	Fair value
<b>Fixed rate</b>		
Australian dollar	(520)	(518)
Brazilian real	(375)	(375)
Canadian dollar	(886)	(954)
Euro	(23 991)	(26 684)
Peruvian nuevo sol	(119)	(118)
Pound sterling	(2 212)	(2 847)
US dollar	(79 615)	(85 397)
Other	(412)	(411)
	<b>(108 130)</b>	<b>(117 305)</b>

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

<sup>1</sup>“Carrying amount” refers to net book value as recognized in the balance sheet at each reporting date

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### Fair value hierarchy 2017 Million US dollar

#### Financial Assets

Held for trading (non-derivatives)  
Derivatives at fair value through profit and loss  
Derivatives in a cash flow hedge relationship  
Derivatives in a fair value hedge relationship  
Derivatives in a net investment hedge relationship

#### Financial Liabilities

Deferred consideration on acquisitions at fair value  
Derivatives at fair value through profit and loss  
Derivatives in a cash flow hedge relationship  
Derivatives in a fair value hedge relationship  
Derivatives in a net investment hedge relationship

Fair value hierarchy 2016 Million US dollar	Quoted (unadjusted) prices - level 1	Observable market inputs - level 2	Unobservable market inputs - level 3
<b>Financial Assets</b>			
Held for trading (non-derivatives)	5 659	–	–
Derivatives at fair value through profit and loss	1	338	–
Derivatives in a cash flow hedge relationship	30	549	–
Derivatives in a fair value hedge relationship	–	54	–
Derivatives in a net investment hedge relationship	–	145	–
	<b>5 690</b>	<b>1 086</b>	–
<b>Financial Liabilities</b>			
Non-derivatives recognized at fair value	–	1 485	–
Deferred consideration on acquisitions at fair value	–	–	1 826
Derivatives at fair value through profit and loss	3	818	–
Derivatives in a cash flow hedge relationship	27	524	–
Derivatives in a fair value hedge relationship	–	354	–
Derivatives in a net investment hedge relationship	–	8	–
	<b>30</b>	<b>3 189</b>	<b>1 826</b>

#### Derivative instruments

The fair value of exchange traded derivatives (e.g. exchange traded foreign currency futures) is determined by reference to the official prices published by the respective exchanges (e.g. the New York Board of Trade). The fair value of over-the-counter derivatives is determined by commonly used valuation techniques. These are based on market inputs from reliable financial information providers.

#### Non-derivative financial liabilities

As part of the 2012 shareholders agreement between Ambev and E. León Jimenes S.A. ("ELJ"), following the acquisition of Cervecería Nacional Dominicana S.A. ("CND"), a put and call option is in place which may result in Ambev acquiring additional shares in CND. As of 31 December 2017, the put option was valued 1 669m US dollar (2016: 1 497m US dollar) and recognized as a deferred consideration on acquisitions at fair value in "level 3" category above. The variance is mainly explained by accretion expenses and currency translation. No value was allocated to the call option. The fair value of such deferred consideration is calculated based on commonly-used valuation techniques (i.e. net present value of future principal and interest cash flows discounted at market rate). These are based on market inputs from reliable financial information providers. On 1 December 2017, Ambev announced that ELJ partially exercised its option to sell approximately 30% of the shares of CND for an amount of 0.9 billion US dollar. The transaction closed in January 2018 resulting in Ambev's participation in CND increasing from 55% to 85%.

Fair values determined by reference to prices provided by reliable financial information providers are periodically checked for consistency against other pricing sources.

## I. Offsetting financial assets & financial liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting agreements and similar agreements:

Million US dollar	
Derivative assets	
Derivative liabilities	

Million US dollar	2016			
	Gross amount	Net amount recognized in the statement of financial position <sup>1</sup>	Other offsetting agreements <sup>2</sup>	Total net amount
Derivative assets	1 117	1 117	(1 054)	63
Derivative liabilities	(1 734)	(1 734)	1 261	(473)

## 30. Operating leases

Non-cancelable operating leases are payable and receivable as follows:

Million US dollar	
Within one year	
Between one and five years	
After five years	

Million US dollar	2016					
	Pub leases		Other operational leases			Net lease obligations
	Lessee	Sublease	Lessee	Sublease	Lessor	
Within one year	(95)	69	(153)	30	2	(147)
Between one and five years	(350)	246	(339)	66	5	(372)
After five years	(538)	156	(183)	15	2	(548)
	<b>(983)</b>	<b>471</b>	<b>(675)</b>	<b>111</b>	<b>9</b>	<b>(1 067)</b>

Following the sale of Dutch and Belgian pub real estate to Cofinimmo in October 2007, AB InBev entered into lease agreements of 27 years. These operating leases maturing in November 2034 represent an undiscounted obligation of 1 190m US dollar. The pubs leased from Cofinimmo are subleased for an average outstanding period of 6 to 8 years and represent an undiscounted right to receive 571m US dollar. These leases are subject to renewal after their expiration date. The impact of such renewal is not reported in the table above.

Furthermore, the company leases a number of warehouses, factory facilities and other commercial buildings under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. This represents an undiscounted obligation of 910m US dollar. Lease payments are increased annually to reflect market rentals. None of the leases include contingent rentals. Also in this category AB InBev has sublet some of the leased properties, representing an undiscounted right of 192m US dollar.

At 31 December 2017, 307m US dollar was recognized as an expense in the income statement in respect of operating leases as lessee (2016: 272m US dollar), while 128m US dollar was recognized as income in the income statement in respect of subleases (2016: 117m US dollar).

The company also leases out part of its own property under operating leases. At 31 December 2017, 10m US dollar was recognized as income in the income statement in respect of operating leases as lessor (2016: 10m US dollar).

<sup>1</sup>Net amount recognized in the statement of financial position after taking into account offsetting agreements that meet the offsetting criteria as per IFRS rules.

<sup>2</sup>Other offsetting agreements include collateral and other guarantee instruments, as well as offsetting agreements that do not meet the offsetting criteria as per IFRS rules.

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### 31. Collateral and contractual commitments for the acquisition of property, plant and equipment, loans to customers and other

Million US dollar	2016
Collateral given for own liabilities	490
Collateral and financial guarantees received for own receivables and loans to customers	228
Contractual commitments to purchase property, plant and equipment	817
Contractual commitments to acquire loans to customers	11
Other commitments	1 768

The collateral given for own liabilities of 426m US dollar at 31 December 2017 contains 209m US dollar cash guarantees. Such cash deposits are a customary feature associated with litigations in Brazil: in accordance with Brazilian laws and regulations a company may or must (depending on the circumstances) place a deposit with a bank designated by the court or provide other security such as collateral on property, plant and equipment. With regard to judicial cases, AB InBev has made the appropriate provisions in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – see also Note 27 *Provisions*. In the company's balance sheet the cash guarantees are presented as part of other receivables – see Note 20 *Trade and other receivables*. The remaining part of collateral given for own liabilities (217m US dollar) contains collateral on AB InBev's property in favor of the excise tax authorities, the amount of which is determined by the level of the monthly excise taxes due, inventory levels and transportation risk, and collateral on its property, plant and equipment with regard to outstanding loans. To the extent that AB InBev would not respect its obligations under the related outstanding contracts or would lose the pending judicial cases, the collateralized assets would be used to settle AB InBev's obligations.

To keep AB InBev's credit risk with regard to receivables and loans to customers as low as possible collateral and other credit enhancements were obtained for a total amount of 326m US dollar at 31 December 2017. Collateral is held on both real estate and debt securities while financial guarantees are obtained from banks and other third parties.

AB InBev has entered into commitments to purchase property, plant and equipment for an amount of 550m US dollar at 31 December 2017.

In a limited number of countries AB InBev has committed itself to acquire loans to customers from banks at their notional amount if the customers do not respect their reimbursement commitments towards the banks. The total outstanding amount of such loans is 16m US dollar at 31 December 2017.

As at 31 December 2017, the following M&A related commitments existed:

- In a transaction related to the combination of AB InBev and Grupo Modelo select Grupo Modelo shareholders committed, upon tender of their Grupo Modelo shares, to acquire 23 076 922 AB InBev shares to be delivered within 5 years for consideration of approximately 1.5 billion US dollar. The consideration was paid on 5 June 2013. Pending the delivery of the AB InBev shares, AB InBev will pay a coupon on each undelivered AB InBev share, so that the Deferred Share Instrument holders are compensated on an after tax basis, for dividends they would have received had the AB InBev shares been delivered to them prior to the record date for such dividend.
- As part of the 2012 shareholders agreement between Ambev and E. León Jimenes S.A. ("ELJ"), following the acquisition of Cervecería Nacional Dominicana S.A. ("CND"), a put and call option is in place which may result in Ambev acquiring additional shares in CND. On 1 December 2017, Ambev announced that ELJ partially exercised its option to sell approximately 30% of the shares of CND for an amount of 0.9 billion US dollar. The transaction closed in January 2018 resulting in Ambev's participation in CND increasing from 55% to 85%. As of 31 December 2017, the put option was valued 1 669m US dollar (2016: 1 497m US dollar). The corresponding liability is presented as a current liability and recognized as a deferred consideration on acquisitions at fair value in "level 3" category above. See also Note 29 *Risks arising from financial instruments*.
- On 11 October 2016 AB InBev was notified by The Coca-Cola Company of its intention to transition AB InBev's stake in Coca-Cola Beverages Africa ("CCBA"). On 21 December 2016, The Coca-Cola Company and the company have reached an agreement regarding the transition of AB InBev's 54.5% equity stake in CCBA for 3.15 billion US dollar, after customary adjustments. CCBA includes the Coca-Cola bottling operations in South Africa, Namibia, Kenya, Uganda, Tanzania, Ethiopia, Mozambique, Ghana, Mayotte and Comoros. This transaction was completed on 4 October 2017. In addition, the companies have reached an agreement in principle for The Coca-Cola Company to acquire the company's interest in bottling operations in Zambia, Zimbabwe, Botswana, Swaziland, Lesotho, El Salvador and Honduras for an undisclosed amount. These transactions are subject to the relevant regulatory and minority approvals in different jurisdictions.
- In September 2017, AB InBev entered into a transaction with Compañía Cervecerías Unidas S.A. ("CCU") whereby AB InBev will recover the distribution rights for Budweiser in Argentina for a consideration of approximately 300m US dollar. As part of the transaction, AB InBev will transfer the brands Isenbeck and Diosa to CCU. Concurrently, AB InBev and Quilmes, a subsidiary of Ambev, entered into an agreement whereby AB InBev will grant a perpetual license to Quilmes in Argentina for Budweiser and other North American brands upon the recovery of the distribution rights by AB InBev from CCU. The agreement also foresees the transfer of the brewery of Cervecería Argentina Sociedad Anónima Isenbeck by AB InBev to Quilmes and the transfer of some Argentinean brands (Norte, Iguana and Baltica) along with 50m US dollar by Quilmes to CCU. The closing of these transactions is subject to the approval of the Argentinean antitrust authority.
- On 11 October 2016, AB InBev completed the disposal of SAB's interest in MillerCoors LLC and all trademarks, contracts and other assets primarily related to the "Miller International Business" to Molson Coors Brewing Company. The disposal was completed for 12 billion US dollar in cash, subject to a downward purchase price adjustment. AB InBev set up a provision of 330m US dollar as part of the opening balance sheet related to the purchase price adjustment. The parties entered into a settlement agreement on 21 January 2018 for 330m US dollar of which 328m US dollar constitutes the purchase price adjustment amount.

Other commitments amount to 1 834m US dollar at 31 December 2017 and mainly cover guarantees given to pension funds, rental and other guarantees.



In order to fulfil AB InBev's commitments under various outstanding stock option plans, AB InBev entered into stock lending arrangements for up to 19 million of its own ordinary shares. AB InBev shall pay any dividend equivalent, after tax in respect of the loaned securities. This payment will be reported through equity as dividend. As of 31 December 2017, 17 million loaned securities were used to fulfil stock option plan commitments.

### 32. Contingencies<sup>1</sup>

The company has contingencies for which, in the opinion of management and its legal counsel, the risk of loss is possible but not probable and therefore no provisions have been recorded. Due to their nature, such legal proceedings and tax matters involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions, and as a consequence AB InBev management cannot at this stage estimate the likely timing of resolution of these matters. The most significant contingencies are discussed below.

#### Ambev tax matters

As of 31 December 2017, AB InBev's material tax proceedings related to Ambev and its subsidiaries. Estimates of amounts of possible loss are as follows:

Million US dollar		31 December 2016
Income tax and social contribution		8 878
Value-added and excise taxes		4 924
Other taxes		605
		<b>14 407</b>

The most significant tax proceedings of Ambev are discussed below.

#### Income tax and social contribution

During 2005, certain subsidiaries of Ambev received a number of assessments from Brazilian federal tax authorities relating to profits of its foreign subsidiaries. In December 2008, the Administrative Court decided on one of the tax assessments relating to earnings of Ambev's foreign subsidiaries. This decision was partially favorable to Ambev, and in connection with the remaining part, Ambev filed an appeal to the Upper House of the Administrative Court, which was denied in full in March 2017. In September 2017, Ambev filed a judicial proceeding for this tax assessment with a motion of injunction, which was granted to Ambev. With respect to another tax assessment relating to foreign profits, the Administrative Court rendered a decision favorable to Ambev in September 2011. In 2013, 2016 and 2017, Ambev received other tax assessments related to profits of its foreign subsidiaries. As of 31 December 2017, Ambev management estimates the exposure of approximately 6.1 billion Brazilian real (1.8 billion US dollar) as a possible risk, and accordingly has not recorded a provision for such amount, and approximately 44m Brazilian real (13m US dollar) as a probable loss.

In December 2011, Ambev received a tax assessment related to the goodwill amortization resulting from the InBev Holding Brasil S.A. merger with Ambev. In November 2014 the Lower Administrative Court concluded the judgment. The decision was partly favorable, Ambev was notified in August 2015 and presented a motion to clarify the decision to the Administrative Court. This motion was admitted in September 2016 and Ambev was notified of the clarified decision in January 2018. The Administrative Court's decision was partly favorable to Ambev. Therefore Ambev will file a judicial proceeding to discuss the unfavorable part of the decision. The remaining part, which was favorable to Ambev, will be reexamined by the Administrative Upper Court. In June 2016, Ambev received a new tax assessment charging the remaining value of the goodwill amortization and filed a defense. In March 2017, Ambev was notified of a partially favorable first level administrative decision on this tax assessment and filed an appeal to the Lower Administrative Court. Ambev has not recorded any provisions for this matter, and management estimates possible losses in relation to this assessment to be approximately 8.3 billion Brazilian real (2.5 billion US dollar) as of 31 December 2017. In the event Ambev is required to pay these amounts, AB InBev will reimburse the amount proportional to the benefit received by AB InBev pursuant to the merger protocol, as well as the related costs.

In October 2013, Ambev also received a tax assessment related to the goodwill amortization resulting from the merger of Beverage Associates Holding Limited ("BAH") into Ambev. Ambev filed a defense in November 2013. In December 2014, Ambev filed an appeal against the unfavorable first level administrative decision published in November 2014. In March 2017, the Lower Administrative Court remanded the case back to the first level administrative judgment due to processual matters. In July 2017, Ambev was notified of the new first level decision and filed a new appeal to the Lower Administrative Court. Ambev management estimates the amount of possible losses in relation to this assessment to be approximately 1.6 billion Brazilian real (0.5 billion US dollar) as of 31 December 2017. Ambev has not recorded any provision in connection therewith.

In November 2017, Ambev received a tax assessment related to the goodwill amortization resulting from the merger of CND Holdings into Ambev. Ambev filed a response in December 2017 and is awaiting the first level administrative decision. Ambev management estimates the amount of possible losses in relation to this assessment to be approximately 1.1 billion Brazilian real (0.3 billion US dollar) as of 31 December 2017. Ambev has not recorded any provision in connection therewith.

Ambev and certain of its subsidiaries received a number of assessments from Brazilian federal tax authorities relating to the offset of tax loss carry forward arising in the context of business combinations. In February 2016, the Upper House of the Administrative Tax Court concluded the judgment of two tax assessments on this matter. In both cases the decision was unfavorable. Ambev filed a judicial proceeding. In September 2016, Ambev received a favorable first level decision in one of the judicial claims. In March 2017, Ambev received an unfavorable first level decision.

<sup>1</sup>Amounts have been converted to US dollar at the closing rate of the respective period.

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on the other judicial case and filed an appeal to the court. Ambev management estimates the total exposures of possible loss in relation to these assessments to be approximately 0.5 billion Brazilian real (0.2 billion US dollar) as of 31 December 2017.

In December 2014, Ambev received a tax assessment from the Brazilian Federal Tax Authorities related to the disallowance of alleged non-deductible expenses and the deduction of certain losses mainly associated to financial investments and loans. In July 2016, Ambev was notified of the unfavorable first level administrative decision and filed an appeal to the Upper Administrative Court at the legal term. In August 2017, the Lower Administrative Court ruled in favor of Ambev's appeal and in December 2017, Ambev was notified of that decision. The Brazilian tax authorities forfeited their right to appeal that decision. In December 2015, Ambev also received a new tax assessment related to the same matter. Ambev presented a defense and awaits the first level administrative decision. In December 2016, Ambev received a new tax assessment related to the same matter, regarding the period of 2011, 2012 and 2013. Ambev presented a defense and awaits the first level administrative decision. Ambev management estimates the amount of possible loss in relation to those assessments to be approximately 4.4 billion Brazilian real (1.3 billion US dollar) as of 31 December 2017. Ambev has not recorded any provision in connection with this assessment.

Since 2014, Ambev has been receiving tax assessments from the Brazilian Federal Tax Authorities related to the disallowance of deductions associated with alleged unproven taxes paid abroad, for which the decision from the Upper House of the Administrative Court is still pending. In September 2017, Ambev decided to include part of those tax assessments in the Brazilian Federal Tax Regularization Program of the Provisional Measure nº 783. As of 31 December 2017, Ambev management estimates the exposure of approximately 7.2 billion Brazilian real (2.2 billion US dollar) as a possible risk, and accordingly has not recorded a provision for such amount.

In April 2016, Arosuco (a subsidiary of Ambev) received a tax assessment regarding the use of "presumed profit" method for the calculation of income tax and the social contribution on net profit instead of the "real profit" method. In September 2017, Arosuco received the unfavorable first level administrative decision and filed an appeal to the Lower Administrative Court. Arosuco management estimates the amount of possible losses in relation to this assessment to be approximately 0.6 billion Brazilian real (0.2 billion US dollar) as of 31 December 2017. Arosuco has not recorded any provision in connection therewith.

In December 2016, CRBS (a subsidiary of Ambev) received a tax assessment regarding the use of "presumed profit" method for the calculation of income tax and the social contribution on net profit instead of the "real profit" method. In July 2017, CRBS was notified of an unfavorable first level administrative decision and filed an appeal to the Administrative Court. In September 2017, CRBS decided to include this tax assessment in the Brazilian Federal Tax Regularization Program of the Provisional Measure nº 783.

### ICMS value added tax, IPI excise tax and taxes on net sales

In Brazil, goods manufactured within the Manaus Free Trade Zone intended for remittance elsewhere in Brazil are exempt from IPI excise tax. There is discussion on whether the acquisition of such benefited goods gives rise to the right of IPI excise tax credits by the relevant acquirers. Ambev's subsidiaries have been registering IPI excise tax presumed credits upon the acquisition of exempted goods manufactured therein and discussing the matter at Courts. Since 2009, Ambev has been receiving a number of tax assessments from the Brazilian Federal Tax Authorities relating to the disallowance of such presumed IPI excise tax credits and other IPI excise tax credits, which are under discussion before the Brazilian Supreme Court. Ambev management estimates the possible loss related to these assessments to be approximately 3.2 billion Brazilian real (1.0 billion US dollar) as of 31 December 2017. Ambev has not recorded any provision in connection therewith.

Over the years, Ambev has also received tax assessments from the Brazilian Federal Tax Authorities charging federal taxes allegedly unduly offset with the disallowed presumed IPI excise tax credits which are under discussion in the above mentioned proceedings. Ambev is challenging these charges before Courts. Ambev management estimates the possible loss related to these assessments to be approximately 0.9 billion Brazilian real (0.3 billion US dollar) as of 31 December 2017. Ambev has not recorded any provision in connection therewith.

In 2014 and 2015, Ambev received tax assessments from the Brazilian Federal Tax Authorities to charge the IPI excise tax, supposedly due over remittances of manufactured goods to related factories, for which a decision from the Upper House of the Administrative Tax Court is still pending. Ambev management estimates the possible loss related to these assessments to be approximately 1.5 billion Brazilian real (0.5 billion US dollar) as of 31 December 2017. Ambev has not recorded any provision in connection therewith.

Ambev is currently challenging tax assessments issued by the States of São Paulo, Rio de Janeiro, Minas Gerais and other States questioning the legality of ICMS tax credits arising from transactions with companies that has tax incentives. Ambev management estimates the possible losses related to these assessments to be approximately 1.9 billion Brazilian real (0.6 billion US dollar) as of 31 December 2017. Ambev has not recorded any provision in connection therewith.

Ambev was assessed by the State of Rio de Janeiro to charge the ICMS supposedly due with respect to unconditional discounts granted by Ambev from January 1996 to February 1998. In October, 2015 and January, 2016, Ambev paid the amounts under discussion in an incentive tax program under which discounts were granted, in the total amount of approximately 0.3 billion Brazilian real (0.1 billion US dollar). In 2013, 2014 and 2015, Ambev received similar tax assessments issued by the States of Pará and Piauí relating to the same issue, which are currently under discussion. After the above mentioned payments, Ambev management estimates the possible loss involved in these proceedings to be approximately 0.6 billion Brazilian real (0.2 billion US dollar) as of 31 December 2017. Ambev has not recorded any provision in connection therewith.

Over the years, Ambev has received tax assessments to charge supposed ICMS differences considered due when the price of the products sold by the company is above the fixed price table basis established by the relevant States, cases in which the State tax authorities understand that the calculation basis should be based on a value-added percentage over the actual prices and not the fixed table price. Ambev is currently challenging those charges before Courts. Among other similar cases, the company received three assessments issued by the State of Minas Gerais in the original amount of 1.4 billion Brazilian real (0.4 billion US dollar). In the second quarter of 2017, the Administrative Tax Court of the State of Minas Gerais

ruled unfavorably to Ambev on three relevant cases. Ambev presented a defense against such decisions to the Upper House of the Administrative Tax Court of the State of Minas Gerais and currently awaits a judgement. In 2017, Ambev received ten relevant assessments from the State of Rio de Janeiro which amounts to 0.9 billion Brazilian real (0.3 billion US dollar). Ambev presented defenses against such tax assessments and now awaits the decision by the Administrative Courts. Ambev management estimates the total possible loss related to this issue to be approximately 5.8 billion Brazilian real (1.8 billion US dollar) as of 31 December 2017. Ambev has recorded provisions in the total amount of 7m Brazilian real (2m US dollar) in relation to certain proceedings for which it considers the chances of loss to be probable due to specific procedural issues.

#### Social contributions

Ambev received some tax assessments issued by the Brazilian Federal Tax Authorities relating to amounts allegedly due under Integration Program / Social Security Financing Levy (PIS/COFINS) over bonus products granted to its customers. The cases are now being discussed at Courts. Ambev management estimates the possible loss related to these assessments to be approximately 3.1 billion Brazilian real (0.9 billion US dollar) as of 31 December 2017. No related provision has been made.

#### Other tax matters

During 2014, Anheuser-Busch InBev Worldwide Inc. received a net proposed tax assessment from the United States federal tax authorities (IRS) of 0.3 billion US dollar predominantly involving certain inter-company transactions, related to tax returns for the years 2008 and 2009. In November 2015, the IRS issued an additional proposed tax assessment of 0.1 billion US dollar for tax years 2010 and 2011. Anheuser-Busch InBev Worldwide Inc. has filed protests with the IRS for the 2008 to 2011 tax years and intends to vigorously defend its position.

In February 2015, the European Commission opened an in-depth state aid investigation into the Belgian excess profit ruling system. On 11 January 2016, the European Commission adopted a negative decision finding that the Belgian excess profit ruling system constitutes an aid scheme incompatible with the internal market and ordering Belgium to recover the incompatible aid from a number of aid beneficiaries. The Belgian authorities have contacted the companies that have benefitted from the system and have advised each company of the amount of incompatible aid that is potentially subject to recovery. The European Commission decision was appealed to the European Union's General Court by Belgium on 22 March 2016 and by AB InBev on 12 July 2016. The appeals do not suspend the recovery process, and AB InBev cannot at this stage estimate the outcome of such legal proceedings. Based on the estimated exposure related to the excess profit ruling applicable to AB InBev, the different elements referred to above, as well as the possibility that taxes paid abroad and non-recognized tax loss carryforwards could eventually partly or fully offset amounts subject to recovery, if any, AB InBev has not recorded any provisions in connection therewith as of 31 December 2017.

In addition, the Belgian tax authorities have also questioned the validity and the actual application of the excess profit ruling that was issued in favor of AB InBev and have refused the actual tax exemption which it confers. Against such decision AB InBev has filed a court claim before the Brussels court of first instance. Also in respect of this aspect of the EPR matter, considering the company's and its counsel assessment in respect of the merits of the case, AB InBev has not recorded any provisions as of 31 December 2017.

#### Warrants

Certain holders of warrants issued by Ambev in 1996 for exercise in 2003 proposed lawsuits to subscribe correspondent shares for an amount lower than Ambev considers as established upon the warrant issuance. In case Ambev loses the totality of these lawsuits, the issuance of 172,831,574 shares would be necessary. Ambev would receive in consideration funds that are materially lower than the current market value. This could result in a dilution of about 1% to all Ambev shareholders. Furthermore, the holders of these warrants are claiming that they should receive the dividends relative to these shares since 2003, approximately 847m Brazilian real (256m US dollar) in addition to legal fees. Ambev disputes these claims and intends to continue to vigorously defend its case. Five of the six lawsuits were ruled favorable to Ambev by the Superior Court of Justice (STJ). Two of them during the year of 2017. All of these five cases are pending final judgment by STJ's Special Court. In November, 2017 the Federal Public Prosecutor filed a motion favorable to Ambev's position in one of the cases. Considering all of these facts, the company and our external counsels strongly believe that the chance of loss of these cases are remote.

#### Antitrust matters

On 12 December 2014, a lawsuit was commenced in the Ontario Superior Court of Justice against the Liquor Control Board of Ontario, Brewers Retail Inc. (known as The Beer Store or "TBS") and the owners of Brewers Retail Inc. (Molson Coors Canada, Sleeman Breweries Ltd. and Labatt Breweries of Canada LP). The lawsuit was brought in Canada pursuant to the Ontario Class Proceedings Act, and sought, among other things: (i) to obtain a declaration that the defendants conspired with each other to allocate markets for the supply of beer sold in Ontario since 1 June 2000, (ii) to obtain a declaration that Brewers Retail Inc. and the owners of Brewers Retail Inc. conspired to fix, increase and/or maintain prices charged to Ontario licensees (on-trade) for beer and the fees charged by TBS to other competitive brewers who wished to sell their products through TBS and (iii) damages for unjust enrichment. As part of this third allegation, the plaintiffs allege illegal trade practices by the owners of Brewers Retail Inc. They are seeking damages not exceeding 1.4 billion Canadian dollar (1.1 billion US dollar), as well as, punitive, exemplary and aggravated damages of 5 million Canadian dollar (4 million US dollar) and changes/repeals of the affected legislation. Ambev has not recorded any provision in connection therewith.

In 2016, the European Commission announced an investigation into alleged abuse of a dominant position by AB InBev through certain practices aimed at restricting trade from other European Union member states to Belgium. On 30 November 2017, the European Commission informed AB InBev of its preliminary view in a Statement of Objections that these practices are an infringement and invited AB InBev to respond, which it shall do. The fact that a Statement of Objections has been issued does not mean that the European Commission has concluded that there is an infringement. It is not possible to indicate how long the investigation will take or what the outcome will be and no provision has been made in connection therewith. There is no connection between this investigation and the combination with former SAB.

#### 2009 dispositions pension litigation

On 1 December 2009, AB InBev and several of its related companies were sued in Federal Court in the Eastern District of Missouri in a lawsuit styled Richard F. Angevine v. AB InBev, et al. The plaintiff sought to represent a class of certain employees of Busch Entertainment Corporation,

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which was divested on 1 December 2009, and the four Metal Container Corporation plants which were divested on 1 October 2009. He also sought to represent certain employees of any other subsidiary of Anheuser-Busch Companies, Inc. (ABC) which were divested on 1 October 2009. The lawsuit contained claims that the class was entitled to enhanced retirement benefits under sections 4.3 and 19.11(f) of the Anheuser-Busch Companies' Salaried Employees' Pension Plan (the "Plan"). Specifically, plaintiff alleged that the divestitures resulted in his "involuntary termination" from "ABC and its operating division and subsidiaries" within three years after the 18 November 2008 ABC/InBev merger, which allegedly triggered the enhanced benefits under the Plan. The lawsuit claimed that by failing to provide the class members with these enhanced benefits, AB InBev, et al. breached their fiduciary duties under ERISA. The complaint sought punitive damages and attorneys' fees. On 16 July 2010, the Court ruled that the claims for breach of fiduciary duty and punitive damages were not proper. The Court also found that Angevine did not exhaust his administrative remedies, which was required before filing a lawsuit. Angevine filed an appeal of this ruling with the Eighth Circuit Court of Appeals. On 22 July 2011, the Court of Appeals affirmed the decision of the lower court. No further appeals were filed.

On 15 September 2010, AB InBev and several of its related companies were sued in Federal Court for the Southern District of Ohio in a lawsuit entitled *Rusby Adams et al. v. AB InBev et al.* This lawsuit was filed by four employees of Metal Container Corporation's facilities ("MCC") in Columbus, Ohio, Gainesville, Florida, and Ft. Atkinson, Wisconsin that were divested on 1 October 2009. Similar to the Angevine lawsuit, these plaintiffs sought to represent a class of participants of the Anheuser-Busch Companies' Inc. Salaried Employees' Pension Plan (the "Plan") who had been employed by subsidiaries of Anheuser-Busch Companies, Inc. that had been divested during the period of 18 November 2008 and 17 November 2011. The plaintiffs also alleged claims similar to the Angevine lawsuit: (1) that they were entitled to benefits under section 19.11(f) of the Plan, and (2) that the denial of benefits was a breach of fiduciary duty. AB InBev believed that it had defenses to these claims, and filed a motion to dismiss. On 25 April 2011, the Court dismissed the breach of fiduciary duty claims, and the only remaining claim was for benefits under section 19.11(f). On 28 March 2012, the Court certified that the case could proceed as a class action comprised of former employees of the divested MCC operations. On 9 January 2013, the Court granted AB InBev's motion for judgment on the Administrative Record. The plaintiffs appealed this decision on 5 February 2013. On 11 July 2014, the Court of Appeals for the 6th Circuit reversed the lower court and remanded the case for judgment against AB InBev. On 16 September 2014, AB InBev's Motion for Rehearing En Banc was denied. A Final Order and Judgment was then entered by the District Court on 24 December 2014, which ordered the Plan to provide the enhanced pension benefit under Section 19.11(f) to members of the certified class. The company believes that the total amount of the enhanced pension benefit is approximately 8m US dollar. Plaintiffs' counsel has received approximately 1m US dollar in legal fees.

On 10 January 2012, a class action complaint asserting claims very similar to those asserted in the Angevine lawsuit was filed in Federal Court for the Eastern District of Missouri, styled *Nancy Anderson et al. v. Anheuser-Busch Companies Pension Plan et al.* Unlike the Angevine case, however, the plaintiff in this matter alleges complete exhaustion of all administrative remedies. The company filed a motion to dismiss on 9 October 2012. This was still pending when the Court allowed the complaint to be amended on 19 November 2012 to name four new plaintiffs. AB InBev filed a motion to dismiss on 17 December 2012. While this motion was pending, on 11 March 2013 the Court consolidated the case with the Knowlton case (see below) which had been transferred from California to Missouri.

On 10 October 2012, another class action complaint was filed against Anheuser-Busch Companies, LLC, Anheuser-Busch Companies Pension Plan, Anheuser-Busch Companies Pension Plan Appeals Committee and the Anheuser-Busch Companies Pension Plans Administrative Committee by Brian Knowlton, an employee of the divested Busch Entertainment Corporation ("BEC"). This complaint, filed in Federal Court in the Southern District of California, was amended on 12 October 2012. Like the other lawsuits, it claims that the employees of any divested assets were entitled to enhanced retirement benefits under section 19.11(f) of the Plan. However, it specifically excludes the divested Metal Container Corporation facilities that have been included in the Adams class action. On 6 November 2012, the plaintiffs filed a motion asking the court to move the Anderson case to California to join it with the Knowlton case for discovery. The company filed a motion to dismiss/motion to transfer the case to Missouri on 12 November 2012, which was granted on 30 January 2013. As outlined above, on 11 March 2013, the Knowlton case was then consolidated in Missouri with the Anderson case. On 19 April 2013 a consolidated complaint was filed, and a Motion to Dismiss was filed by the company on 10 May 2013. On 30 October 2013, the court dismissed the breach of fiduciary claims, and an answer was filed on 13 November 2013. On 19 November 2013, plaintiffs amended one count of the consolidated complaint. On 16 May 2014, the Court granted class certification. The class consists of divested BEC employees. On 10 November 2014, Plaintiffs filed a Motion for Judgment on the Pleadings based on the decision by the Sixth Circuit Court of Appeals in the Adams case. On 8 July 2015, the Court issued an order of partial judgment on the pleadings, holding that the employees of BEC were entitled to enhanced retirement benefits under the Plan. The 8 July 2015 order, however, was not a final, appealable order. On 21 August 2015, the company filed a motion seeking entry of a final, appealable order, as well as a stay pending appeal, both of which were granted on 9 October 2015. The company subsequently appealed. On 22 February 2017, the 8th Circuit Court of Appeals affirmed the lower court's ruling, and awarded the enhanced pension benefit to the BEC Class. In addition, the Appeals Court remanded the case back to the lower court in order to determine whether the precise amount of the enhanced pension can be calculated. The company and counsel for the plaintiffs are currently working to resolve issues surrounding the amount of potential benefits owed to the BEC Class. The Company is also awaiting for plaintiffs' counsel to file their fee application. The company believes the total amount of the enhanced pension liability to be approximately 68m US dollar.

### 33. Non-controlling interests

As of 31 December 2017 and 2016, material non-controlling interests relate to Ambev, a Brazilian listed subsidiary in which AB InBev has 62% ownership. The tables below provide summarized information of Ambev's audited consolidated financial statements as of as of 31 December 2017 and 2016, in accordance with International Financial Reporting Standards.

Summarized financial information of Ambev, in which the company has material non-controlling interests, is as follows:

Million US dollar	2016
<b>Summarized balance sheet information</b>	
Current assets	7 329
Non-current assets	18 396
Current liabilities	8 829
Non-current liabilities	2 582
Equity attributable to equity holders	13 754
Non-controlling interests	560
<b>Summarized income statement and comprehensive income information</b>	
Revenue	13 123
Net income	3 765
Attributable to:	
Equity holders	3 611
Non-controlling interests	155
Net income	3 765
Other comprehensive income	(1 534)
Total comprehensive income	2 231
Attributable to:	
Equity holders	2 190
Non-controlling interests	41
<b>Summarized cash flow information</b>	
Cash flow from operating activities	3 552
Cash flow from investing activities	(1 697)
Cash flow from financing activities	(3 351)
Net increase/(decrease) in cash and cash equivalents	(1 496)

Dividends paid by Ambev to non-controlling interests (i.e. to entities outside the AB InBev Group) amounted to 1.1 billion US dollar and 1.2 billion US dollar for 2017 and 2016, respectively

Other non-controlling interests not deemed individually material by the company mainly related to the company's operations in Africa in association with the Castel Group (e.g., Botswana, Ghana, Mozambique, Nigeria, Tanzania, Uganda, and Zambia), as well as non-controlling interests recognized in respect of the company's subsidiaries in Colombia, Ecuador, and Peru

In 2017 non-controlling interests reduced by 2.4 billion US dollar as a result of purchase and sale of non-controlling interests mainly related to the transition of AB InBev equity stake in CCBA. See also Note 22 – *Assets classified as held for sale and discontinued operations*.

### 34. Related parties

#### Transactions with directors and executive board management members (key management personnel)

In addition to short-term employee benefits (primarily salaries) AB InBev's executive board management members are entitled to post-employment benefits. In particular, members of the executive board of management participate in the pension plan of their respective country – see also Note 25 *Employee Benefits*. Finally, key management personnel are eligible for the company's share option, restricted stock and/or share swap program (refer Note 26 *Share-based Payments*). Total directors and executive board management compensation included in the income statement can be detailed as follows

Million US dollar	2016	
	Directors	Executive board management
Short-term employee benefits	2	18
Post-employment benefits	–	–
Other long-term employee benefits	–	–
Share-based payments	3	64
	<b>5</b>	<b>82</b>

Directors' compensation consists mainly of directors' fees

## Financial report

During 2017, AB InBev entered into the following transactions

- The acquisition, through Grupo Modelo and its subsidiaries, of information technology and infrastructure services for a consideration of approximately 0.8m US dollar from a company in which one of the company's Board Member had significant influence as of 31 December 2017.
- The acquisition, mainly through its subsidiary Bavaria S.A., of transportation services, lease agreements and advertising services for an aggregated consideration of 5.4m US dollar from companies in which one of the company's Board Member had a significant influence as of 31 December 2017. The outstanding balance of these transactions as of 31 December 2017 amounts to 1.1m US dollar

With the exception of the abovementioned transactions, key management personnel were not engaged in any transactions with AB InBev and did not have any significant outstanding balances with the company

### Jointly controlled entities

Significant interests in joint ventures include three entities in Brazil, one in Mexico and two in Canada. None of these joint ventures are material to the company. Aggregate amounts of AB InBev's interest are as follows:

Million US dollar		2016
Non-current assets		11
Current assets		5
Non-current liabilities		9
Current liabilities		6
Result from operations		(6)
Profit attributable to equity holders of AB InBev		(7)

### Transactions with associates

Significant interests in associates are shown in Note 16 *Investments in associates*. AB InBev's transactions with associates were as follows:

Million US dollar		2016
Gross profit		(47)
Current assets		(8)
Current liabilities		20

### Transactions with pension plans

AB InBev's transactions with pension plans mainly comprise 12m US dollar other income from pension plans in US

## 35. Events after the balance sheet date

### Bond issuance

On 23 January 2018, Anheuser-Busch InBev SA/NV issued 4.25 billion euro aggregate principal amount of bonds. The bonds comprise the following series: 1.5 billion euro aggregate principal amount of floating rate Notes due 15 April 2024 bearing interest at annual rate of 30 basis point above three-month EURIBOR, 2.0 billion euro aggregate principal amount of fixed rate Notes due 22 January 2027 bearing interest at an annual rate of 1.150% and 0.75 billion euro aggregate principal amount of fixed rate Notes due 23 January 2035 bearing interest at an annual rate of 2.000%.

The proceeds of the Notes will be used for general corporate purposes. The Notes were issued by Anheuser-Busch InBev SA/NV under its Euro Medium Term Note programme base prospectus published on 20 December 2017.

### Early redemption of notes

On 15 February 2018, AB InBev announced that it is exercising its option to redeem in full the entire outstanding principal amount of the 7.75% Notes due in 2019 on 19 March 2018. The total principal amount of the notes that will be retired is approximately 2.5 billion US dollar and the redemption of the notes will be financed with cash.

### Deferred share instrument

On 1 March 2018, AB InBev announced that it will deliver 23,076,922 Ordinary Shares on 21 May 2018, that are due under deferred share instruments.

The deferred share entitlements had been issued by AB InBev in connection with the closing of the Grupo Modelo acquisition in June 2013. Under such entitlements, selected former Grupo Modelo shareholders committed upon tendering of their shares in Grupo Modelo, to invest 1.5 billion US dollar of their proceeds from the tender offer into ordinary shares of AB InBev, and acquired an aggregate of 23,076,922 ordinary shares, to be delivered within five years. The consideration for the acquisition of such ordinary shares was paid by such former Grupo Modelo shareholders to AB InBev on 5 June 2013.

The deferred share entitlements provided for the delivery of these ordinary shares no later than 5 June 2018. Such delivery obligation will be met through the use of part of AB InBev's outstanding treasury shares.

### 36. AB InBev companies

Listed below are the most important AB InBev companies. A complete list of the company's investments is available at AB InBev NV, Brouwerijplein 1, B-3000 Leuven, Belgium

#### List of most important fully consolidated companies

Name and registered office of fully consolidated companies	% OF ECONOMIC INTEREST AS AT 31 DECEMBER 2017
<b>Argentina</b>	
CERVECERIA Y MALTERIA QUILMES SAICA y G - Charcas 5160 - C1425BOF - Buenos Aires	61.92
<b>Australia</b>	
FOSTER'S GROUP PTY LTD - Southbank Boulevard 77 - 3006 Southbank - Victoria	100.00
CUB PTY LTD - Southbank Boulevard 77 - 3006 Southbank - Victoria	100.00
FBG FINANCE PTY LTD - Southbank Boulevard 77 - 3006 Southbank - Victoria	100.00
FBG TREASURY (AUST) PTY LTD - Southbank Boulevard 77 - 3006 Southbank - Victoria	100.00
<b>Belgium</b>	
AB INBEV NV - Grand Place 1 - 1000 - Brussel	Consolidating Company
BRASSERIE DE L'ABBAYE DE LEFFE S.A. - Place de l'Abbaye 1 - 5500 - Dinant	98.54
BROUWERIJ VAN HOEGAARDEN NV - Stoopkensstraat 46 - 3320 - Hoegaarden	100.00
COBREW N.V. - Brouwerijplein 1 - 3000 - Leuven	100.00
INBEV BELGIUM S P R L - Industrielaan 21 - 1070 - Brussel	100.00
<b>Botswana</b>	
KGALAGADI BREWERIES (PTY) LTD - Plot 20768, Broadhurst industrial estate - Gaborone <sup>1</sup>	31.00
<b>Bolivia</b>	
CERVECERIA BOLIVIANA NACIONAL S.A. - Av. Montes 400 and Chuquisaca No. 121, Zona Challapampa - La Paz	61.92
<b>Brazil</b>	
AMBEV S.A. - Rua Dr Renato Paes de Barros, 1017, 3º andar, Itaim Bibi - CEP 04530-001 - São Paulo	61.92
<b>Canada</b>	
LABATT BREWING COMPANY LIMITED - 207 Queen's Quay West, Suite 299 - M5J 1A7 - Toronto	61.92
<b>Chile</b>	
CERVECERIA CHILE S.A. - Av. Presidente Eduardo Frei Montalva 9600 - 8700000 - Quilicura	61.92
<b>China</b>	
ANHEUSER-BUSCH INBEV (CHINA) SALES CO LTD - Shangshou, Qin Duan Kou, Hanyang Area - 430051 - Wuhan City, Hubei Province	100.00
ANHEUSER-BUSCH INBEV (WUHAN) BREWERY CO. LTD - Shangshou, Qin Duan Kou, Hanyang Area - 430051 - Wuhan City, Hubei Province	97.06
ANHEUSER-BUSCH INBEV (FOSHAN) BREWERY CO. LTD - 1 Budweiser Avenue, Southwest St., Sanshui District - 528132 - Foshan City, Guangdong	100.00
ANHEUSER-BUSCH INBEV HARBIN BREWERY CO. LTD - 9 HaPi Road Pingfang District - 150066 - Harbin City, Heilongjiang Province	100.00
ANHEUSER-BUSCH INBEV (TANGSHAN) BREWERY CO. LTD - 18, Yingbin Road - 063300 - Tangshan City, Hebei Province	100.00
ANHEUSER-BUSCH INBEV SEDRIN BREWERY CO. LTD - 660 Gong Ye Road, Hanjiang District - 351111 - Putian City, Fujian Province	100.00
ANHEUSER-BUSCH INBEV SEDRIN (ZHANGZHOU) BREWERY CO. LTD - Lantian Economic District - 363005 - Zhangzhou City, Fujian Province	100.00
ANHEUSER-BUSCH INBEV (TAIZHOU) BREWERY CO. LTD - 159 Qi Xia East Road, Chengguan Town, Tiantai County - 317200 - Taizhou City, Zhejiang Province	100.00
NANCHANG ASIA BREWERY CO. LTD - 183 West Sandian Road, Qing Yun Pu District - Nanchang City, Jiangxi Province	100.00
SIPING GINSEBER DRAFT BEER CO. LTD - Xianmaqian, Tiedong Area - Siping City, Jilin Province	100.00
ANHEUSER-BUSCH INBEV BIG BOSS (JIANGSU) BREWERY CO. LTD - 666 Zhaoxia Road - Nantong City, Jiangsu Province	100.00
ANHEUSER-BUSCH INBEV (SICHUAN) BREWERY CO. LTD - No. 1, AB InBev Avenue, Cheng Nan Industry Park, Economic Development Area - 641300 - Ziyang City, Sichuan Province	100.00

<sup>1</sup>The group's shares entitle the holder to twice the voting rights

## Financial report

Name and registered office of fully consolidated companies	% OF ECONOMIC INTEREST AS AT 31 DECEMBER 2017
ANHEUSER-BUSCH INBEV (HENAN) BREWERY CO. LTD. - No. 1 Budweiser Avenue, Industry Park, Tangzhuang Town - 453100 - Weihui City, Henan Province	100.00
INBEV JINLONGQUAN (HUBEI) BREWERY CO. LTD. - 89 Jin Long Quan Avenue - Jingmen City Hubei Province	60.00
ANHEUSER-BUSCH INBEV (SUQIAN) BREWERY CO. LTD. - No 1 Qujiang Road, Suyu Industry Park - Suqian City, Jiangsu Province	100.00
<b>Colombia</b>	
BOGOTA BEER COMPANY BBC S.A.S. - Carrera 53 A, No 127 - 35 - 110221 - Bogota	97.22
BAVARIA S.A. S.A. - Carrera 53 A, No 127 - 35 - 110221 - Bogota	99.14
AMBEV COLOMBIA S.A.S. - Carrera 53 A, No 127 - 35 - 110221 - Bogota	97.22
<b>Czech Republic</b>	
PIVOVAR SAMSON A.S. - V parku 2326/18, Chodov, 148 00 Praha 4	100.00
<b>Dominican Republic</b>	
CERVECERIA NACIONAL DOMINICANA S.A. - Autopista 30 de Mayo Km 61/2, Distrito Nacional - A.P. 1086 - Santo Domingo	34.06
<b>Ecuador</b>	
COMPANIA CERVECERA AMBEV ECUADOR S.A. - Km 14.5 Via a Daule S/N y Av. Las Iguanas, Guayaquil	97.22
CERVECERIA NACIONAL (CN) SA - Via a daule km 16,5 y calle cobre s/n - Guayaquil, Guayas	95.58
<b>El Salvador</b>	
INDUSTRIAS LA CONSTANCIA, SA DE CV - 526 Av. Independencia, San Salvador	100.00
<b>France</b>	
AB INBEV FRANCE S.A.S. - Immeuble Crystal, 38, Place Vauban - C.P. 59110 - La Madeleine	100.00
<b>Germany</b>	
BRAUEREI BECK GmbH & CO. KG - Am Deich 18/19 - 28199 - Bremen	100.00
BRAUEREI DIEBELS GmbH & CO KG - Brauerei-Diebels-Strasse 1 - 47661 - Issum	100.00
HAAKE-BECK AG - Am Deich 18/19 - 28199 - Bremen	99.96
HASSERÖDER BRAUEREI GmbH - Auerhahnring 1 - 38855 - Wernigerode	100.00
ANHEUSER-BUSCH INBEV GERMANY HOLDING GmbH - Am Deich 18/19 - 28199 - Bremen	100.00
SPATEN - FRANZISKANER - BRAU GmbH - Marsstrasse 46 + 48 - 80335 - München	100.00
ANHEUSER-BUSCH INBEV Deutschland GmbH & Co KG - Am Deich 18/19 - 28199 - Bremen	100.00
LOEWENBRAEU AG - Nymphenburger Str. 7 - 80335 - München	100.00
<b>Ghana</b>	
ACCRA BREWERY LTD - Farra Avenue 20 1st Floor, Pkf Building, P.O. Box Gp1219 - Accra	60.00
<b>Grand Duchy of Luxembourg</b>	
BRASSERIE DE LUXEMBOURG MOUSEL - DIEKIRCH - 1, Rue de la Brasserie - L-9214 - Diekirch	95.82
<b>Honduras</b>	
CERVECERIA HONDUREÑA, SA DE CV - Blvd. Del Norte, Carretera Salida a Puerto Cortes - San Pedro Sula, Cortes	99.00
<b>India</b>	
CROWN BEERS INDIA LIMITED - #8-2-684/A, Road No. 12 - Banjara Hills, Hyderabad 500034 - Andhra Pradesh	100.00
SABMILLER INDIA LIMITED LTD - Unit No.301-302, Dynasty Business Park, 3rd Floor - Andheri - Kurla Road, Andheri (East) - 400059 - Mumbai, Maharashtra	99.60
<b>Italy</b>	
ANHEUSER-BUSCH INBEV ITALIA SPA - Piazza Buffoni 3, 21013 Gallarate	100.00
<b>Mexico</b>	
CERVECERIA MODELO DE MEXICO S. DE R.L. DE C.V. - Javier Barros Sierra 555 Piso 3 - Zedec Ed Plaza Santa Fe - 01210 Mexico City	100.00
<b>Mozambique</b>	
CERVEJAS DE MOÇAMBIQUE SA - Rua do Jardim 1329 - Maputo <sup>2</sup>	49.00

<sup>1</sup>55% owned by Ambev S.A.

<sup>2</sup>The company is consolidated due to the group's majority shareholdings and ability to control the operations



Name and registered office of fully consolidated companies	% OF ECONOMIC INTEREST AS AT 31 DECEMBER 2017
<b>The Netherlands</b>	
INBEV NEDERLAND N.V. - Ceresstraat 1 - 4811 CA – Breda	100.00
INTERBREW INTERNATIONAL B.V. - Ceresstraat 1 - 4811 CA - Breda	100.00
AB InBev Africa B.V. - Ceresstraat 1, 4811 CA – Breda	62.00
AB InBev Botswana B V - Ceresstraat 1, 4811 CA – Breda	62.00
<b>Nigeria</b>	
BEVERAGE MANAGEMENT SOLUTIONS LIMITED LTD - 58 Akanbi Onitiri Close, Off Eric Moore Road, Surelere - Lagos	50.00
INTERNATIONAL BREWERIES PLC - Lawrence Omole Way, Omi Osoro Road, Imo Ilesha, Osun State	37.50
<b>Panama</b>	
CERVECERIA NACIONAL HOLDING SA - Costa del Este Business Park, torre Oeste Piso 2 - Ciudad de Panama	60.00
<b>Paraguay</b>	
CERVECERIA PARAGUAYA S A - Ruta Villeta km 30 N 3045 - 2660 - Ypane	61.92
<b>Peru</b>	
COMPANIA CERVECERA AMBEV PERU S.A.C. - Av Los Laureles Mza A Lt 4 del Centro Poblado Menor Santa Maria de Huachipa - Lurigancho (Chosica) - Lima 15	97.22
UNIÓN DE CERVECERÍAS PERUANAS BACKUS Y JOHNSTON SAA - 3986 Av. Nicolas Ayllon, Ate, Lima 3	93.65
<b>Russia</b>	
SUN INBEV - 28 Moscovskaya Street, Moscow region - 141607 - Klin	99.95
<b>South Africa</b>	
SABSA HOLDINGS LTD PUBLIC LIMITED COMPANY - 65 Park Lane Sandown - 2001 - Johannesburg	100.00
THE SOUTH AFRICAN BREWERIES (PTY) LTD LIMITED BY SHARES - 65 Park Lane, Sandown - 2146 – Johannesburg	91.55
<b>South Korea</b>	
ORIENTAL BREWERY CO., LTD - 151, Hyeondogongdan-ro, Seowon-gu Cheongju-si, Chungcheongbuk-do	100.00
<b>Switzerland</b>	
ANHEUSER-BUSCH INBEV PROCUREMENT GMBH GESELLSCHAFT MIT BESCHRANKTER HAFTUNG (GMBH) - Turmstrasse 26 - 6300 – Zug	100.00
<b>Tanzania</b>	
KIBO BREWERIES LTD PRIVATE COMPANY - Uhuru Street, Plot No 79, Block AA, Mchikichini, Ilala District - Dar es Salaam	36.00
<b>Uganda</b>	
NILE BREWERIES LTD - Plot M90 Yusuf Lule Roa, Njeru, Jinja - Eastern Uganda	61.76
<b>Ukraine</b>	
SUN INBEV UKRAINE PJSC - 30-V Fizkultury Str, BC "Faringeit" 4th floor - 3068 - Kiev	98.34
<b>United Kingdom</b>	
AB INBEV UK LTD - Porter Tun House, 500 Capability Green - LU1 3LS - Luton	100.00
PIONEER BREWING COMPANY LTD - Porter Tun House 500 Capability Green - LU1 3LS - Luton	100.00
AB INBEV HOLDINGS LIMITED - AB INBEV HOUSE, CHURCH STREET WEST - GU21 6HT - WOKING SURREY	100.00
AB INBEV INTERNATIONAL BRANDS LIMITED- AB InBev House, Church Street West, Woking, Surrey, GU21 6HT	100.00
<b>United States</b>	
ANHEUSER-BUSCH COMPANIES, LLC - One Busch Place - St. Louis, MO 63118	100.00
ANHEUSER-BUSCH INTERNATIONAL, INC. - One Busch Place - St. Louis, MO 63118	100.00
ANHEUSER-BUSCH PACKAGING GROUP INC - One Busch Place - St. Louis, MO 63118	100.00
ANHEUSER-BUSCH, LLC – One Busch Place, St. Louis, MO 63118	100.00
METAL CONTAINER CORPORATION, INC – One Busch Place, St. Louis, MO 63118	100.00
ANHEUSER-BUSCH NORTH AMERICAN HOLDING CORPORATION - C/O THE CORPORATION TRUST COMPANY INC - 1209 Orange Street - DE 19801 - Wilmington	100.00

<sup>1</sup>The company is consolidated due to the group's majority shareholdings and ability to control the operations

## Financial report

<i>Name and registered office of fully consolidated companies</i>	<b>% OF ECONOMIC INTEREST AS AT 31 DECEMBER 2017</b>
<b>Uruguay</b>	
CERVECERIA Y MALTERIA PAYSANDU S A - Cesar Cortinas, 2037 - C.P. 11500 - Montevideo	61.92
<b>Vietnam</b>	
ANHEUSER-BUSCH INBEV VIETNAM BREWERY COMPANY LIMITED/No.2 VSIP II-A, Street no. 28, Vietnam - Singapore II-A Industrial Park, Tan Uyen District, Binh Duong Province	100.00
<b>Zambia</b>	
ZAMBIAN BREWERIES PLC - Mungwi Road, Plot Number 6438, Lusaka	54.00

## List of most important associates and joint ventures

NAME AND REGISTERED OFFICE OF ASSOCIATES AND JOINT VENTURES	% OF ECONOMIC INTEREST AS AT 31 DECEMBER 2017
<b>France</b>	
SOCIÉTÉ DES BRASSERIES ET GLACIÈRES INTERNATIONALES SA - 30 AV George V, 75008, Paris	20.00
<b>Gibraltar</b>	
BIH BRASSERIES INTERNATIONALES HOLDING LTD - CC Building 10th Floor, Main Street	20.00
BIH BRASSERIES INTERNATIONALES HOLDING (ANGOLA) LTD - Suite 10/3, International Commercial Centre, 2A Main Street	27.00
<b>Turkey</b>	
ANADOLU EFES BIRACILIK VE MALT SANAYII AS - Bahçelievler Mahallesi, Şehit İbrahim Koparır Caddesi No. 4, Bahçelievler İstanbul	24.00
<b>Zimbabwe</b>	
DELTA CORPORATION LTD - Sable house, P.O. Box BW 343, Northridge Close, Borrowdale, Harare	25.00

## Information to our shareholders

### Earnings, dividends, share and share price

	2016	2015	2014	2013
Cash flow from operating activities (US dollar per share)	5.89	8.62	8.66	8.53
Normalized earnings per share (US dollar per share)	2.83	5.20	5.43	4.91
Dividend (euro per share)	3.60	3.60	3.00	2.05
Share price high (euro per share)	119.60	124.20	94.89	79.60
Share price low (euro per share)	92.13	87.73	69.14	63.44
Year-end share price (euro per share)	100.55	114.40	93.86	77.26
Weighted average number of ordinary and restricted shares (million shares)	1,717	1,638	1,634	1,617
Diluted weighted average number of ordinary and restricted shares (million shares)	1,755	1,668	1,665	1,650
Volume of shares traded (million shares)	445	449	397	423

## Information on the auditors' assignments and related fees

AB InBev's Statutory auditor is Deloitte Bedrijfsrevisoren BV CVBA – Réviseurs d'Entreprises SC SCRL represented by Joel Brehmen, audit partner.

Base fees for auditing the annual financial statements of AB InBev and its subsidiaries are determined by the shareholders meeting after review and approval by the company's Audit Committee and Board of Directors

Fees<sup>1</sup> for 2017 in relation to services provided by Deloitte Bedrijfsrevisoren BV CVBA – Réviseurs d'Entreprises SC SCRL amounted to 3 202k US dollar (2016: 5 238k US dollar), which was composed of audit services for the annual financial statements of 1 979k US dollar (2016: 1 168k US dollar), tax services of 811k US dollar (2016: 2 809k US dollar) and audit related services of 412k US dollar (2016: 1 261k US dollar). Audit related services mainly relate to services incurred in connection with rights and bonds issuance, interim dividends and reports issued in connection to the SAB combination. Tax services mainly relate to services incurred in connection with expat services, all of which have been pre-approved by the company's Audit Committee.

Fees for 2017 in relation to services provided by other offices in the Deloitte Touche Tohmatsu network amounted to 7 708k US dollar (2016: 10 677k US dollar), which was composed of audit services for the annual financial statements of 6 926k US dollar (2016: 6 282k US dollar), tax services of 782k US dollar (2016: 3 853k US dollar) and audit related services of 0k US dollar (2016: 541k US dollar), all of which have been pre-approved by the company's Audit Committee

## Financial calendar

Publication of 2017 results	01 March 2018
Annual report 2017 available on <a href="http://www.ab-inbev.com">www.ab-inbev.com</a>	01 March 2018
General shareholders meeting	25 April 2018
Dividend <sup>1</sup> ex-coupon date	30 April 2018
Publication of first quarter results	9 May 2018
Publication of half year results	26 July 2018
Publication of third quarter results	25 October 2018

## Investor relations contact

### Media

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<sup>1</sup>Fees do not include audit and other fees of SAB companies which are audited by PricewaterhouseCoopers LLP

## Excerpt from the AB InBev NV separate (non-consolidated) financial statements prepared in accordance with Belgian GAAP

On 11 November 2015, the boards of the former Anheuser-Busch InBev SA/NV (the "former AB InBev") and SABMiller plc announced that they had reached an agreement on the terms of the proposed business combination between SABMiller plc and AB InBev (the "Combination").

The Combination was implemented through a series of steps and completed on the 10th of October 2016. Pursuant to the final step of the Combination, the former AB InBev has merged into Newbelco SA/NV ("Newbelco"), with Newbelco being the surviving company. As a result of the merger, Newbelco has become the holding company for the combined former AB InBev and SABMiller groups and the former AB InBev was dissolved. All assets and liabilities of the former AB InBev have been transferred to Newbelco, and Newbelco has automatically been substituted for the former AB InBev in all its rights and obligations by operation of Belgian law. Immediately following the merger, Newbelco has been renamed Anheuser-Busch InBev SA/NV (hereinafter "AB InBev NV").

The following information is extracted from the separate Belgian GAAP financial statements of AB InBev NV per 31 December 2017.

The 2016 comparative figures of these Belgian GAAP financials are extracted from the the separate Belgian GAAP financial statements of AB InBev NV, the new holding company and surviving entity following the merger on 10 October 2016. AB InBev NV, previously named Newbelco NV/SA, was incorporated on 3 March 2016. The 2016 Belgian GAAP financials of AB InBev NV cover the period from 3 March 2016 to 31 December 2016.

The 2016 comparative figures are also extracted from the separate Belgian GAAP financials of the former AB InBev that merged into Newbelco and that was dissolved upon completion of the merger on 10 October 2016. The 2016 Belgian GAAP financials of former AB InBev cover the period from 1 January 2016 to 10 October 2016.

These separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders as well as the auditor's report, will be filed with the National Bank of Belgium within the legally foreseen time limits. These documents are also available on request from: AB InBev NV, Brouwerijplein 1, 3000 Leuven.

It should be noted that only the consolidated financial statements as set forth above present a true and fair view of the financial position and performance of the AB InBev group.

Since AB InBev NV (and before that former AB InBev) is essentially a holding company, which recognizes its investments at cost in its non-consolidated financial statements, these separate financial statements present no more than a limited view of the financial position of AB InBev NV. For this reason, the Board of Directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at and for the year ended 31 December 2017.

The statutory auditor has confirmed that his audit procedures are substantially complete and that the abbreviated non-consolidated balance sheet and income statement of AB InBev NV prepared in accordance with Belgian GAAP for the year ended 31 December 2017 are consistent, in all material respects, with the accounts from which they have been derived.

## Abbreviated non-consolidated balance sheet

Million euro		AB InBev NV (previously Newbelco) 31/12/2016	Former AB InBev 10/10/2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		688	700
Property, plant and equipment		50	89
Financial assets		120 492	129 631
		<b>121 230</b>	<b>130 420</b>
<b>Current assets</b>		<b>71 757</b>	<b>77 884</b>
<b>Total assets</b>		<b>192 987</b>	<b>208 304</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital		1 239	1 239
Share premium		13 186	13 186
Legal reserve		124	124
Reserves not available for distribution		8 275	–
Reserves available for distribution		33 009	–
Profit carried forward		15 417	23 389
		<b>71 250</b>	<b>37 938</b>
<b>Provisions and deferred taxes</b>		121	135
<b>Non-current liabilities</b>		83 653	84 375
<b>Current liabilities</b>		37 963	85 856
<b>Total equity and liabilities</b>		<b>192 987</b>	<b>208 304</b>

## Abbreviated non-consolidated income statement

Million euro		31/12/2016	10/10/2016
Operating income		420	1 126
Operating expenses		(509)	(862)
<b>Operating result</b>		<b>(89)</b>	<b>264</b>
Financial result		(691)	6 510
<b>Result for the year available for appropriation</b>		<b>(779)</b>	<b>6 774</b>

# Glossary

**Aggregated weighted nominal tax rate**

The aggregated weighted nominal tax rate is based on the statutory corporate income tax rates applicable in the various countries

**Copec**

Colombia, Peru and Ecuador

**Diluted EPS**

Profit attributable to equity holders of AB InBev divided by the fully diluted weighted average number of ordinary and restricted shares

**Diluted weighted average number of ordinary and restricted shares**

Weighted average number of ordinary and restricted shares, adjusted by the effect of dilutive share options and restricted stock units

**EBIT**

*Profit from operations*

**EBITDA**

Profit from operations plus depreciation, amortization and impairment

**EMEA**

Europe and Africa.

**EPS**

Profit attributable to equity holders of AB InBev divided by the weighted average number of ordinary and restricted shares.

**FTE'S**

Full-time employees on a permanent or temporary basis, excluding outsourced personnel

**Invested capital**

Includes property, plant and equipment, goodwill and intangible assets, investments in associates and equity securities, working capital, provisions, employee benefits and deferred taxes

**Marketing expenses**

Include all costs relating to the support and promotion of the brands. They include among others operating costs (payroll, office costs, etc.) of the marketing department, advertising costs (agency costs, media costs, etc.), sponsoring and events, and surveys and market research

**Net capex**

Acquisitions of property, plant and equipment and of intangible assets, minus proceeds from sale

**Net debt**

Non-current and current interest-bearing loans and borrowings and bank overdrafts, minus debt securities and cash and cash equivalents

**Non-recurring items**

Items of income or expense which do not occur regularly as part of the normal activities of the company

**Normalized**

The term "normalized" refers to performance measures (EBITDA, EBIT, Profit, EPS, effective tax rate) before non-recurring items and profit from discontinued operations. Non-recurring items are items of income or expense which do not occur regularly as part of the normal activities of the company and which warrant separate disclosure because they are important for the understanding of the underlying results of the company due to their size or nature. AB InBev believes that the communication and explanation of normalized measures is essential for readers of its financial statements to understand fully the sustainable performance of the company. Normalized measures are additional measures used by management and should not replace the measures determined in accordance with IFRS as an indicator of the company's performance

**Normalized diluted EPS**

*Diluted EPS adjusted for non-recurring items and profit from discontinued operations*

**Normalized EBIT**

*Profit from operations adjusted for non-recurring items*

**Normalized EBITDA**

*Profit from operations adjusted for non-recurring items, plus depreciation, amortization and impairment*

**Normalized effective tax rate**

*Effective tax rate adjusted for non-recurring items*

**Normalized EPS**

*EPS adjusted for non-recurring items and profit from discontinued operations*

**Normalized profit**

*Profit adjusted for non-recurring items and profit from discontinued operations.*

**Normalized profit from operations**

*Profit from operations adjusted for non-recurring items*



**Pay out ratio**

Gross dividend per share multiplied by the estimated number of ordinary shares outstanding at the dividend record date, divided by normalized profit attributable to equity holders of AB InBev.

**Re-measurements of post-employee benefits**

Comprised of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest)

**Revenue**

Gross revenue less excise taxes and discounts.

**Sales expenses**

Include all costs relating to the selling of the products. They include among others the operating costs (payroll, office costs, etc.) of the sales department and the sales force

**SG&A and selling, general & administrative expenses**

Sales, marketing, distribution and administrative expenses

**Scope**

Financials are analyzed eliminating the impact of changes in currencies on translation of foreign operations, and scopes. A scope represents the impact of acquisitions and divestitures, the start-up or termination of activities or the transfer of activities between segments, curtailment gains and losses and year-over-year changes in accounting estimates and other assumptions that management does not consider as part of the underlying performance of the business

**Weighted average number of ordinary and restricted shares**

Number of shares outstanding at the beginning of the period, adjusted by the number of shares cancelled, repurchased or issued during the period multiplied by a time-weighting factor

**Working capital**

Includes inventories, trade and other receivables and trade and other payables, both current and non-current

## 1. Introduction

### 1.1. The 2009 Belgian Code on Corporate Governance

The corporate governance practices of Anheuser-Busch InBev are reflected in its Corporate Governance Charter, which is available on [www.ab-inbev.com/investors/corporate-governance.html](http://www.ab-inbev.com/investors/corporate-governance.html). The Charter is regularly updated.

Anheuser-Busch InBev is a company incorporated under Belgian law with a primary listing on Euronext Brussels (Euronext: ABI) and with secondary listings on the Mexico Stock Exchange (MEXBOL: ANB) and the Johannesburg Stock Exchange (JSE: ANH) (ISIN: BE0974293251) and with American Depositary Shares ("ADS's") listed on the New York Stock Exchange. As a Belgian company with primary listing on Euronext Brussels, Anheuser-Busch InBev adheres to the principles and provisions of the Belgian Corporate Governance Code, published in March 2009 ([www.corporategovernancecommittee.be](http://www.corporategovernancecommittee.be)), taking into account its specific status as a multinational group with secondary listings in Mexico and Johannesburg and with ADS's listed in New York.

In order to reflect AB InBev's specific shareholding structure and the global nature of its operations, the Board of directors has adopted certain rules which depart from the Belgian Corporate Governance Code. In summary, these rules are the following:

**Principle 5.3./1 (Appendix D) of the Code: "the Board should set up a nomination committee composed of a majority of independent non-executive directors":** The Board of directors appoints the chairman and members of the Nomination Committee from among the directors, including at least one member from among the independent directors. As the committee is composed exclusively of non-executive directors who are independent of management and free from any business relationship that could materially interfere with the exercise of their independent judgment, the Board considers that the composition of this committee achieves the Code's aim.

**Principle 7.7. of the Code: "Non-executive directors should not be entitled to performance-related remuneration such as bonuses, stock-related, long-term incentive schemes, fringe benefits or pension benefits":** The remuneration of the Board members is composed of a fixed fee and a fixed number of stock-options, which makes it simple, transparent and easy for shareholders to understand.

The company's long-term incentive option plan deviates from the Belgian Code on Corporate Governance as it provides for share-based payments to non-executive directors. The successful strategy and sustainable development of the company over the past 10 years demonstrates that the compensation of directors, which includes a fixed number of stock-options, does ensure that the independence of the Board members in their role of guidance and control of the company is preserved, and that the directors' interests remain fully aligned with the long-term interests of the shareholders. In particular, the vesting period of 5 years should foster a sustainable and long-term commitment to pursue the company's best interests.

It should also be noted that options may only be granted upon the recommendation of the Remuneration Committee. Any such recommendation must be subsequently approved by the Board and then by the shareholders in a general meeting.

In addition, the company deviated from the following principle in 2017:

**Principle 7.13 of the Code: "Schemes under which executive managers are remunerated in shares, share options or any other right to acquire shares should be subject to prior shareholder approval by way of a resolution at the general shareholders' meeting. The approval should relate to the scheme itself and not to the grant of share-based benefits under the scheme to individuals":** On 1 December 2017, stock options were granted to a select group of approximately 50 senior managers of the company, including a number of members of our Executive Board of Management (EBM), under a new "Long-Run Stock Options Incentive Plan". This new plan is designed to incentivize and retain senior employees who are considered to be instrumental in achieving the Company's ambitious long-term agenda over the next 10 years.

The Board of Directors believes that it was justified and in the best interests of the Company and its shareholders to already implement the grant on 1 December 2017 before the upcoming Annual Shareholders' Meeting for a number of reasons. Firstly, it was important to align the grant date for all participants, i.e. of both those who are and who are not a member of our EBM, ensuring full equal treatment of all participants under the new plan. Secondly, by implementing the special grant on 1 December 2017, it coincided with the regular annual long-term incentive stock-options grant of 1 December 2017 for those executives who are not a member of our EBM leading to an alignment of the strike prices applicable under both incentive plans, ensuring equality among participants. Furthermore, it was considered key for the plan to be effective at the start of financial year 2018, especially since the new plan is subject to performance conditions consisting of an annual growth rate target which is measured on a financial year basis.

It should also be noted that the new plan was implemented upon recommendation of the Remuneration Committee. Both the Board and the Remuneration Committee are exclusively composed of non-executive directors offering the necessary safeguards to ensure an independent decision-making process in relation to the grant.

Reference is made to section 7.2.3 c of this Corporate Governance Statement for a description of the key features of the new plan.

### 1.2. New York Stock Exchange Listing

Further to the New York Stock Exchange listing of American depositary shares ("ADS's") representing ordinary shares of AB InBev, the New York Stock Exchange Corporate Governance rules for Foreign Private Issuers are applicable to the company. AB InBev has also registered under the US Securities and Exchange Act of 1934, as amended. As a result, it is also subject to the US Sarbanes-Oxley Act of 2002 and to certain US Securities laws and regulations relating to corporate governance.

### 1.3. Specific Corporate Governance initiatives

**1.3.1. Fostering ethical conduct** The Board of directors of AB InBev encourages management to promote, adhere to and maintain the highest standards of ethical behavior and transparency. Therefore, ethical rules have been established and are reinforced by internal codes and policies. This fosters responsible business conduct by all employees.

AB InBev's Code of Business Conduct sets out the ethical standards to which all employees are expected to adhere. It requires employees to comply with all laws, to disclose any relevant conflicts of interests, to act at all times in the best interests of the company and to conduct all their dealings in an honest and ethical manner. The Code of Business Conduct also covers the confidentiality of information, limits on the acceptance of gifts or entertainment, and the appropriate use of the company's property. The Code of Business Conduct is supplemented by the Global Anti-Corruption Policy, which defines employees' responsibilities and expected behavior. It states clearly that AB InBev's employees are strictly prohibited from, either directly or indirectly, offering, promising, authorizing or giving anything of value to any individual with the aim of obtaining or retaining business or influencing business or governmental decision-making in connection with AB InBev's commercial activities.

In line with this commitment to integrity, AB InBev has implemented a whistle-blowing system by means of a Compliance Helpline that provides employees with simple and secure ways to confidentially and, if so desired, anonymously, report activities that violate the Code of Business Conduct based on a clear policy and applicable legislation.

**1.3.2. Demonstrating commitment to shareholder communication** AB InBev is committed to creating value for its shareholders. The company encourages its shareholders to take an active interest in the company. In support of this objective, it provides quality information, in a timely fashion, through a variety of communication tools. These include annual reports, half-yearly reports, quarterly statements, Better World reporting, financial results announcements, briefings, and a section that is dedicated to investors on the AB InBev website.

AB InBev recognizes that a commitment to disclosure builds trust and confidence with shareholders and the public in general. The company adopted a Disclosure Manual to demonstrate its commitment to best practices in transparency. This manual is designed to ensure that there is full, consistent and timely disclosure of company activities.

**1.3.3. Upholding shareholder rights** Prior to the annual shareholders' meeting, shareholders are invited to submit any questions they have for the Chairman or the CEO for discussion during the meeting.

The agenda for the shareholders' meeting and all related documents are also posted on the AB InBev website at least 30 days in advance of any shareholders' meeting. Shareholders have the right to vote on various resolutions related to company matters. If they are unable to attend a meeting, they can submit their votes by mail or appoint a proxy. Minutes of the meetings and results of the votes are posted on the AB InBev website shortly after the meeting.

**1.3.4. Preventing the abuse of inside information** The company's Code of Dealing is applicable to all members of the Board of directors and to all employees. The Code of Dealing aims to prevent the abuse of inside information, especially in periods leading up to an announcement of financial results or leading up to price-sensitive events or decisions.

The Code of Dealing prohibits dealing in the company's securities during a closed period, i.e., a period of 30 days preceding any results announcement of the company. In addition, before dealing in any securities of the company, the members of the Board of directors and the EBM must obtain clearance from a Clearance Committee.

Compliance with the Code of Dealing is reinforced and monitored through the company's Compliance Program.

In accordance with EU Regulation 596/2014 on market abuse (MAR), the company establishes lists of insiders when required. In addition, pursuant to the same regulation, members of the EBM and of the Board of directors notify their trades (above a 5,000 Euro yearly threshold) to the company and to the Belgian Financial Services and Markets Authority (FSMA), which publishes these notifications on its website.

**1.3.5. Corporate Social Responsibility** AB InBev's Dream is *bringing people together for a better world*. Sustainability is central to the company's culture and embedded in the way it does business.

We are building a company to last, brewing beer and building brands that will continue to bring people together for the next 100 years and beyond.

In accordance with the Belgian law of 3 September 2017 implementing Directive 2014/95/EU of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, AB InBev has included in this Annual Report a non-financial statement reporting on corporate social responsibility matters.

**1.3.6. Diversity** The company strives to make AB InBev a community where everyone is included and respected, bringing people together for a better world. It believes that a diverse team improves the quality of decision-making, and ultimately improves overall performance.

AB InBev does not have a formal global diversity policy; instead the company opted for Diversity and Inclusion Task Forces in each of the Zones. These task forces have taken actions to foster diversity and inclusion most relevant to their regions, including the setup of communities and local commitments to the empowerment of women and LGBT rights.

Senior leaders are trained to recognize potential unconscious bias before holding performance review meetings, and all of those leaders are evaluated on Diversity and Inclusion in their annual 360-degree feedback.

## Corporate governance statement

AB InBev is proud to have approximately 100 nationalities across the business, with 30 nationalities represented on the Executive Board of Management (EBM) and the senior management level immediate below. Currently, no women are represented on the EBM. AB InBev continues working on further improving all aspects of diversity of its senior management team, with a focus on building a diverse talent pipeline, considering the respective skills, education, experience and background. Reference is made to section 2.1 of this Corporate Governance Statement for a short biography of each of the members of the EBM, including their qualifications and background.

The process for nominating and selecting candidates for the Board of Directors is described in the Corporate Governance Charter of Anheuser-Busch InBev. The company aims to have a balanced and diverse Board primarily considering, among other things, the respective skills, education, experience and background. Currently, two out of 15 Board members are women. Reference is made to section 3 of this Corporate Governance Statement for a short biography of each of the members of the Board of Directors, including their qualifications and background, as well as for further information on the applicable Belgian legal gender diversity requirements.

## 2. The Board of directors

### 2.1. Structure and composition

The Board of directors currently consists of 15 members, all of whom are non-executives. The roles and responsibilities of the Board, its composition, structure and organization are described in detail in Anheuser-Busch InBev's Corporate Governance Charter. This Corporate Governance Charter includes the criteria that directors must satisfy to qualify as independent directors.

Unless the shareholders' meeting decides on a shorter term, directors are appointed for a maximum term of four years, which is renewable.

The appointment and renewal of directors (i) is based on a recommendation of the Nomination Committee, taking into account the rules regarding the composition of the Board that are set out in the Articles of Association (e.g., rules regarding number of independent directors and directors appointed upon proposal of the AB InBev Reference Shareholder and the Restricted Shareholders), and (ii) is subject to approval by the shareholders' meeting.

Pursuant to the Articles of Association, the Board is composed as follows:

- three directors shall be independent directors appointed by the shareholders' meeting upon proposal by the Board, and
- so long as the Stichting Anheuser-Busch InBev (the "Reference Shareholder") and/or any of its Affiliates, any of their respective Successors or Successors' Affiliates own, in aggregate, more than 30% of shares with voting rights in the share capital of the company, nine directors shall be appointed by the shareholders' meeting upon proposal by the Reference Shareholder and/or any of its Affiliates, any of their respective Successors or Successors' Affiliates; and
- so long as the holders of Restricted Shares (the "Restricted Shareholders") (together with their Affiliates, any of their respective Successors and/or Successors' Affiliates) own in aggregate:
  - more than 13.5% of the Shares with voting rights in the share capital of the company, three directors will be appointed by the shareholders' meeting upon proposal by the Restricted Shareholders (each such director a "Restricted Share Director"),
  - more than 9% but not more than 13.5% of the Shares with voting rights in the share capital of the company, two Restricted Share Directors will be appointed;
  - more than 4.5% but not more than 9% of the Shares with voting rights in the share capital of the company, one Restricted Share Director will be appointed; and
  - 4.5% or less than 4.5% of the Shares with voting rights in the share capital of the company, they will no longer have the right to propose any candidate for appointment as a member of the Board and no Restricted Share Directors will be appointed.

The Articles of Association set out detailed rules regarding the calculation of the company's share capital owned by the Reference Shareholder and the Restricted Shareholders for the purpose of determining directors' nomination rights. Affiliates and Successors have the meaning set out in the Articles of Association.

The composition of the Board will be balanced primarily considering the respective skills, education, experience and background of each of the Board members.

According to the Belgian Companies Code, as amended by the Law of 28 July 2011 on gender diversity on the Board, at least one third of the directors will have to be women. As a newly listed company having securities admitted to trade on Euronext Brussels on 11 October 2016, AB InBev will need to comply with the gender diversity requirement as from 1 January 2022. Currently, two out of 15 of our Board members are women. AB InBev will continue its efforts towards fostering gender diversity on its Board in the coming years by identifying women candidates having the appropriate profile to become members of the Board. In this respect, the Board has decided to propose at the upcoming annual shareholders' meeting to renew the mandates of the directors whose term of office comes to an end at such shareholders' meeting (other than the Restricted Share Directors) for a two-year term only, rather than the normal four year term. As a result, the terms of office of all members of the Board of Directors will come to an end at the annual shareholders' meeting in April 2020, offering additional flexibility to meet the gender diversity requirement ahead of the 1 January 2022 deadline.

At the annual shareholders' meeting held on 26 April 2017, the mandates of all three Restricted Share Directors, i.e. Messrs. Martin J. Barrington, William F. Gifford and Alejandro Santo Domingo, ended. In accordance with article 19.4 (b) of our bylaws, their mandates were renewed for a one year term ending at the upcoming annual shareholders' meeting to be held on 25 April 2018.

In addition to the mandates of the aforementioned Restricted Share Directors, the mandates of the following directors will come to an end at the upcoming annual shareholders' meeting to be held on 25 April 2018: Ms Maria Asuncion Aramburuzabala, Mr Alexandre Behring, Mr Paul Cornet de Ways Ruat, Mr Stéfan Descheemaeker, Mr Grégoire de Spoelberch, Mr Paulo Lemann, Mr Carlos Alberto Sicupira, Mr Marcel Herrmann Telles and Mr Alexandre Van Damme

The composition of Anheuser-Busch InBev's Board of directors at the end of the reporting period is as follows:

Name	Date of birth Nationality	Function	Term started	Term expires
<b>Independent Directors</b>				
Olivier Goudet	*1964, French	Non-Executive Independent director	2016	2020
Michele Burns	*1958, American	Non-Executive Independent director	2016	2020
Elio Leoni Sceti	*1966, Italian	Non-Executive Independent director	2016	2020
<b>Directors upon proposal of the AB InBev Reference Shareholder</b>				
Maria Asuncion Aramburuzabala	*1963, Mexican	Non-Executive, Non-Independent director	2016	2018
Paul Cornet de Ways Ruat	*1968, Belgian	Non-Executive director, nominated by the holders of class A Stichting Anheuser-Busch InBev certificates	2016	2018
Stéfan Descheemaeker	*1960, Belgian	Non-Executive director, nominated by the holders of class A Stichting Anheuser-Busch InBev certificates	2016	2018
Grégoire de Spoelberch	*1966, Belgian	Non-Executive director, nominated by the holders of class A Stichting Anheuser-Busch InBev certificates	2016	2018
Alexandre Van Damme	*1962, Belgian	Non-Executive director, nominated by the holders of class A Stichting Anheuser-Busch InBev certificates	2016	2018
Alexandre Behring	*1967, Brazilian	Non-Executive director, nominated by the holders of class B Stichting Anheuser-Busch InBev certificates	2016	2018
Paulo Lemann	*1968, Brazilian	Non-Executive director, nominated by the holders of class B Stichting Anheuser-Busch InBev certificates	2016	2018
Carlos Alberto da Veiga Sicupira	*1948, Brazilian	Non-Executive director, nominated by the holders of class B Stichting Anheuser-Busch InBev certificates	2016	2018
Marcel Herrmann Telles	*1950, Brazilian	Non-Executive director, nominated by the holders of class B Stichting Anheuser-Busch InBev certificates	2016	2018
<b>Directors upon proposal of the Restricted Shareholders (Restricted Share Directors)</b>				
Martin J. Barrington	*1953, American	Non-Executive director, nominated by Altria	2017	2018
William F. Gifford	*1970, American	Non-Executive director, nominated by Altria	2017	2018
Alejandro Santo Domingo	*1977, Colombian	Non-Executive director, nominated by Bevco	2017	2018

**Ms. Aramburuzabala** is a non-executive member of the Board. Born in 1963, she is a citizen of Mexico and holds a degree in Accounting from ITAM (*Instituto Tecnológico Autónomo de México*). She has served as CEO of Tresalia Capital since 1996. She is currently chairman of the Boards of Directors of Tresalia Capital, KIO Networks, Abilia and Red Universal. She is also a member of the Advisory Board of Grupo Modelo and was formerly a member of the Grupo Modelo Board of Directors, and is currently on the Boards of Consejo Mexicano de Negocios and El Universal, Compañía Periodística Nacional and is an Advisory Board member of ITAM School of Business.

**Mr. Barrington** is a representative of the Restricted Shareholders. Born in 1953, he is an American citizen and graduated from The College of Saint Rose with a Bachelor's Degree in History, and from Albany Law School of Union University with a Juris Doctorate Degree. He is Chairman, Chief Executive Officer and President of Altria Group. During his more than 20 years at Altria Group, he has served in numerous executive roles – business and legal, domestic and international – for virtually all the companies in the Altria family. These include Vice Chairman of Altria Group; Executive Vice President and Chief Administrative Officer of Altria Group; Senior Vice President and General Counsel of Philip Morris International (a separate public company spun-off from Altria Group in 2008); and Senior Vice President and General Counsel of Philip Morris USA. Before joining Altria, Mr. Barrington practiced law in both the government and private sectors.

**Mr. Behring** is a representative of the AB InBev main shareholders (nominated by BRC S.à R.L., the holder of the class B Stichting certificates). Born in 1967, he is a Brazilian citizen and received a BS in Electrical Engineering from Pontifícia Universidade Católica in Rio de Janeiro and an MBA from Harvard Business School, having graduated as a Baker Scholar and Loeb Scholar. He is a co-founder and the Managing Partner of 3G Capital, a global investment firm with offices in New York and Rio de Janeiro, since 2004. Mr. Behring has served as Chairman of Restaurant Brands International since 3G Capital's acquisition of Burger King in October 2010 and following Burger King's subsequent acquisition of Tim Hortons in December 2014. Mr. Behring also serves as Chairman of the Kraft Heinz Company following the acquisition of H.J. Heinz Company by Berkshire Hathaway and 3G Capital in June 2013 and subsequent combination with Kraft Foods Group in July 2015. Additionally, Mr. Behring formerly served as a Director of CSX Corporation, a leading U.S. rail-based transportation company, from 2008 to 2011. Previously, Mr. Behring spent approximately ten years at GP Investments, one of Latin America's premier private-equity firms, including eight years as a partner and

## Corporate governance statement

member of the firm's Investment Committee. He served for seven years, from 1998 through 2004, as a Director and CEO of one of Latin America's largest railroads, ALL (America Latina Logistica).

**Ms. Burns** is an independent member of the Board. Born in 1958, she is an American citizen and graduated Summa Cum Laude from the University of Georgia with a Bachelor's Degree in Business Administration and a Master's Degree in Accountancy. Ms. Burns was the Chairman and Chief Executive Officer of Mercer LLC from 2006 until 2012. She currently serves on the Boards of Directors of The Goldman Sachs Group, where she chairs the Risk Committee, Alexion Pharmaceuticals, Cisco Systems, Etsy and Circle Online Financial, a private company. From 2003 until 2013, she served as a director of Wal-Mart Stores, where she chaired the Compensation and Nominating Committee and the Strategic Planning and Finance Committee. She also serves as the Center Fellow and Strategic Advisor to the Stanford Center on Longevity at Stanford University. Ms. Burns is on the Executive Board of the Elton John Aids Foundation, where she serves as Treasurer. Ms. Burns began her career in 1981 at Arthur Andersen, where she became a partner in 1991. In 1999, she joined Delta Air Lines, assuming the role of Chief Financial Officer from 2000 to 2004. From 2004 to 2006, Ms. Burns served as Chief Financial Officer and Chief Restructuring Officer of Mirant Corporation, an independent power producer. From March 2006 until September 2006, Ms. Burns served as the Chief Financial Officer of Marsh and McLennan Companies.

**Mr. Cornet de Ways Ruat** is a representative of the main shareholders (nominated by Eugénie Patin Sébastien S.A., the holder of the Class A Stichting certificates). Born in 1968, he is a Belgian citizen and holds a Master's Degree as a Commercial Engineer from the Catholic University of Louvain and an MBA from the University of Chicago. He has attended the Master Brewer program at the Catholic University of Louvain. From 2006 to 2011, he worked at Yahoo! and was in charge of Corporate Development for Europe before taking on additional responsibilities as Senior Financial Director for Audience and Chief of Staff. Prior to joining Yahoo!, Mr. Cornet was Director of Strategy for Orange UK and spent seven years with McKinsey & Company in London and Palo Alto, California. He is also a non-executive director of Bunge Limited, EPS, Rayvax, Adrien Invest, Floridienne S.A. and several privately held companies.

**Mr. Descheemaeker** is a representative of the main shareholders (nominated by Eugénie Patin Sébastien S.A., the holder of the Class A Stichting certificates). Born in 1960, he is a Belgian citizen and graduated from Solvay Business School. He is the CEO of Nomad Foods, the leader of the European frozen food sector whose brands include Birds Eye, Findus & Iglo. He joined Interbrew in 1996 as head of Strategy & External Growth, managing its M&A activities, culminating with the combination of Interbrew and Ambev. In 2004, he transitioned to operational management, first in charge of Interbrew's operations in the United States and Mexico, and then as InBev's Zone President Central and Eastern Europe and eventually, Western Europe. In 2008, Mr. Descheemaeker ended his operational responsibilities at AB InBev and joined the AB InBev Board as a non-executive Director. He was appointed Chief Financial Officer of Delhaize Group in late 2008 and served as Chief Executive Officer of Delhaize Europe from January 2012 until the end of 2013. He is a professor in Business Strategy at the Solvay Business School.

**Mr. Goudet** is an independent member of the Board. Born in 1964, he is a French citizen, holds a degree in Engineering from l'Ecole Centrale de Paris and graduated from the ESSEC Business School in Paris with a major in Finance. Mr. Goudet is Partner and CEO of JAB Holding Company, a position he has held since June 2012. He started his professional career in 1990 at Mars, Inc., serving on the finance team of the French business. After six years, he left Mars to join the VALEO Group, where he held several senior executive positions, including Group Finance Director. In 1998 he returned to Mars, where he became Chief Financial Officer in 2004. In 2008, his role was broadened to become the Executive Vice President as well as CFO. Between June 2012 and November 2015 he served as an Advisor to the Board of Mars. Mr. Goudet is also a Board member of Jacobs Douwe Egberts, the world's leading pure play FMCG coffee and tea company, a Board member of Keurig Green Mountain, a leader in single-serve coffee and beverage technologies; Chairman of Peet's Coffee & Tea, a premier specialty coffee and tea company; a board member of Caribou Einstein, a premium coffee and bagel restaurant chain, Chairman of Krispy Kreme, an iconic branded retailer of premium quality sweet treats, a Board member of Panera Bread Company, the leading fast casual restaurant company in the US, and Espresso House, the largest branded coffee shop chain in Scandinavia, and a Board member of Coty Inc., a global leader in beauty.

**Mr. Gifford** is a representative of the Restricted Shareholders. Born in the United States in 1970, he is an American citizen and graduated from Virginia Commonwealth University with a Bachelor's Degree in Accountancy. He serves as Chief Financial Officer of Altria Group. In this role, he is responsible for the Accounting, Tax, Treasury, Audit, Investor Relations, Finance Decision Support and Strategy & Business Development organizations. He also oversees the financial services business of Philip Morris Capital Corporation. Prior to his current position, Mr. Gifford was Senior Vice President, Strategy & Business Development. Since joining Philip Morris USA in 1994, he has served in numerous leadership roles in Finance, Marketing Information & Consumer Research and as President and Chief Executive Officer of Philip Morris USA. Prior to that, he was Vice President and Treasurer for Altria where he led various functions including Risk Management, Treasury Management, Benefits Investments, Corporate Finance and Corporate Financial Planning & Analysis. Prior to joining Philip Morris USA, Mr. Gifford worked at the public accounting firm of Coopers & Lybrand, which currently is known as PricewaterhouseCoopers.

**Mr. Lemann** is a representative of the main shareholders (nominated by BRC S & R L., the holder of the class B Stichting certificates). Born in Brazil in 1968, he is a Brazilian citizen and graduated from Faculdade Candido Mendes in Rio de Janeiro, Brazil with a B.A. in Economics. Mr. Lemann interned at PriceWaterhouse in 1989 and was employed as an Analyst at Andersen Consulting from 1990 to 1991. Mr. Lemann also performed equity analysis while at Banco Marka and Dynamo Asset Management (both in Rio de Janeiro). From 1997 to 2004, he developed the hedge fund investment group at Tincum Inc., a New York-based investment office that advised the Synergy Fund of Funds, where he served as Portfolio Manager. In May 2005, Mr. Lemann founded Pollux Capital and is currently the Portfolio Manager there. Mr. Lemann is a board member of Lojas Americanas, the Lemann Foundation and Lone Pine.

**Mr. Leoni Sceti** is an independent member of the Board. Born in 1966, he is an Italian citizen who lives in the UK. He graduated Magna Cum Laude in Economics from LUISS in Rome, where he passed the Dottore Commercialista post-graduate bar exam. Mr. Leoni Sceti has over 25 years' experience in the fast-moving consumer goods and media sectors. He was CEO of Iglo Group, a European food business whose brands are Birds

Eye, Findus & Iglo. Iglo group was sold in May 2015 to Nomad Foods. He previously served as CEO of EMI Music from 2008 to 2010. Prior to EMI, Mr. Leon Sceti had an international career in marketing and held senior leadership roles at Procter & Gamble and Reckitt Benckiser, where he later was CMO, global head of Innovation and then head of the European operations. Mr. Leon Sceti is Chairman of London based LSG holdings and an early investor in Media & Tech, with over 25 companies in portfolio. He is an independent member of the Board at Barry Callebaut, and of US start-ups Meural and Swipecast. Elio's roles in non-profit include being a Trustee and Counsellor at One Young World, (young leaders from over 190 countries), and an advisor UK board member at Room to Read (promoting literacy and gender equality in education in developing world).

**Mr. Santo Domingo Dávila** is a representative of the Restricted Shareholders. Born in 1977, he is a Colombian citizen and obtained a BA in History from Harvard College. He is a Senior Managing Director at Quadrant Capital Advisors, Inc. in New York City. He was a member of the Board of Directors of SABMiller plc. He was also Vice-Chairman of SABMiller plc for Latin America. Mr. Santo Domingo is Chairman of the Board of Bavaria S.A. in Colombia and Chairman of the Board of Valorem, a company which manages a diverse portfolio of industrial & media assets in Latin America. Mr. Santo Domingo is also a Director of Contour Global plc, Millicom, JDE (Jacobs Douwe Egberts), Keurig Green Mountain, Florida Crystals, the world's largest sugar refiner, Caracol TV, Colombia's leading broadcaster, El Espectador, a leading Colombian Daily, and Cine Colombia, Colombia's leading film distribution and movie theatre company. In the non-profit sector, he is Vice Chairman of the Wildlife Conservation Society, a Member of the Board of Trustees of the Metropolitan Museum of Art, and the Educational Broadcasting Corporation (WNET Channel Thirteen). Mr. Santo Domingo is also a Member of the Board of DKMS Americas; a foundation dedicated to finding donors for leukaemia patients. He is a Member of the Board of Fundación Pies Descalzos.

**Mr. Sicupira** is a representative of the main shareholders (nominated by BRC S.à R.L., the holder of the class B Stichting certificates). Born in 1948, he is a Brazilian citizen and received a Bachelor of Business Administration from Universidade Federal do Rio de Janeiro and attended the Owners/Presidents Management Program at Harvard Business School. He has been Chairman of Lojas Americanas since 1981, where he also served as Chief Executive Officer until 1992. He is a member of the Board of Directors of Restaurant Brands International Inc. and the Harvard Business School's Board of Dean's Advisors and a co-founder and Board member of Fundação Estudar, a non-profit organisation that provides scholarships for Brazilians.

**Mr. de Spoelberch** is a representative of the main shareholders (nominated by Eugénie Patri Sébastien S.A., the holder of the Class A Stichting certificates). Born in 1966, he is a Belgian citizen and holds an MBA from INSEAD. Mr. de Spoelberch is an active private equity shareholder and his recent activities include shared Chief Executive Officer responsibilities for Lunch Garden, the leading Belgian self-service restaurant chain. He is a member of the board of several family-owned companies, such as Eugénie Patri Sébastien S.A., Verlinvest and Cobehold (Cobepa). He is also an administrator of the Baillet-Latour Fund, a foundation that encourages social, cultural, artistic, technical, sporting, educational and philanthropic achievements.

**Mr. Telles** is a representative of the main shareholders (nominated by BRC S.à R.L., the holder of the class B Stichting certificates). Born in 1950, he is a Brazilian citizen and holds a degree in Economics from Universidade Federal do Rio de Janeiro and attended the Owners/Presidents Management Program at Harvard Business School. He was Chief Executive Officer of Brahma and Ambev and was a member of the Board of Directors of Ambev. He served as member of the Board of Directors of H.J. Heinz Company and now serves as member of the Board of Directors of the Kraft Heinz Company and of the Board of associates of Inspira. He is co-founder and Board member of Fundação Estudar, a non-profit organisation that provides scholarships for Brazilians and a founder and Chairman of Ismart, a non-profit organisation that provides scholarships to low-income students. He is also an ambassador for Endeavor, an international non-profit organisation that supports entrepreneurs in developing markets.

**Mr. Van Damme** is a representative of the main shareholders (nominated by Eugénie Patri Sébastien S.A., the holder of the Class A Stichting certificates). Born in 1962, he is a Belgian citizen and graduated from Solvay Business School, Brussels. Mr. Van Damme joined the beer industry early in his career and held various operational positions within Interbrew until 1991, including Head of Corporate Planning and Strategy. He has managed several private venture holding companies and is currently a director of Patri S.A. (Luxembourg), Restaurant Brands International (formerly Burger King Worldwide Holdings), Jacobs Douwe Egberts (JDE) and Keurig Green Mountain (KGM). He is also an administrator of the Baillet-Latour Fund, a foundation that encourages social, cultural, artistic, technical, sporting, educational and philanthropic achievements, as well as a director of the charitable, non-profit organisation DKMS, the largest bone marrow donor centre in the world.

## 2.2. Functioning

In 2017, the Board of Anheuser-Busch InBev held nine regular meetings. Several of the meetings were held in the geographical Zones in which the company has operations. On these occasions, the Board was provided with a comprehensive briefing of the relevant geographical Zone and market. These briefings included an overview of performance, key challenges facing the market and the steps being taken to address the challenges. Several of these visits also provided the Board members with the opportunity to meet with employees, trainees, customers and other stakeholders.

Major Board agenda items included the long-range plan, achievement of targets; sales figures and brand health, reporting and budget, consolidated results, strategic direction, culture and people, including management succession planning, new and ongoing investment, capital market transactions; external growth and acquisitions; corporate social responsibility and sustainability as well as discussions on governance and Board succession planning. The average attendance rate at Board meetings in 2017 was 95.5%.

In 2017, the Board has been assisted by four Committees: the Audit Committee, the Finance Committee, the Remuneration Committee and the Nomination Committee.

## Corporate governance statement

As per the date of this report, the composition of the Committees is as follows:

	Audit Committee	Nomination Committee	Finance Committee	Remuneration Committee
Maria Asuncion Aramburuzabala				
Martin J. Barrington	Member			
Alex Behring		Member <sup>(1)</sup>		
Michele Burns	Chair		Member	
Paul Cornet de Ways Ruart				
Stéfan Descheemaeker			Member	
Grégoire de Spoelberch		Member		
William F. Gifford			Member	
Olivier Goudet	Member	Member		Member
Paulo Lemann			Member	
Alejandro Santo Domingo				
Elio Leoni Sceti	Member			Member
Carlos Alberto da Veiga Sicupira			Member <sup>(2)</sup>	
Marcel Herrmann Telles		Chair		Chair
Alexandre Van Damme		Member	Chair	

### Notes

<sup>(1)</sup>Mr Carlos Alberto Sicupira was member of the Nomination Committee until 31 December 2017. Effective 1 January 2018, Mr Alexandre Behring replaced Mr Carlos Alberto Sicupira as member of the Nomination Committee.

<sup>(2)</sup>Mr Alexandre Behring was member of the Finance Committee until 31 December 2017. Effective 1 January 2018, Mr Carlos Alberto Sicupira replaced Mr Alexandre Behring as member of the Finance Committee.

## Audit Committee

In accordance with the requirements of the Belgian Companies Code, the Audit Committee is composed exclusively of non-executive Board members and at least one of its members, i.e. Mr. Olivier Goudet, qualifies as an independent director within the meaning of article 526ter of the Belgian Companies Code. Mr. Goudet holds a degree in engineering from l'Ecole Centrale de Paris and graduated from the ESSEC Business School in Paris with a major in finance. He has extensive experience in accounting and audit which he has obtained, among others, as Executive Vice President and Chief Financial Officer of Mars, Incorporated.

A majority of the voting members of the Audit Committee are independent directors as defined in the Corporate Governance Charter and all of them are independent as defined in Rule 10A-3(b)(1)(ii) under the US Securities Exchange Act of 1934, as amended.

In 2017, the Audit Committee met nine times. During its meetings, the Committee reviewed the financial statements of the company, the annual report, half-yearly and quarterly statements, as well as related results announcements. The Committee also considered issues arising from internal audits conducted by the Internal Audit department and the implementation of the company's Compliance Program. Obligations under Sarbanes Oxley, the review of the independence and appointment of the external auditor and a quarterly status of significant litigation were some of the other important topics on the agenda of the Committee. The members of the Committee attended all meetings.

## Finance Committee

The Finance Committee met four times in 2017. Committee discussions included treasury updates and overall risk management strategy including but not limited to risks related to commodities, interest rates, currencies and liquidity, hedging policies, the debt profile and capital structure of the group, pensions, dividends and the disclosure policy of the company. The members of the Committee attended all meetings except for Mr. Behring, who was absent at one meeting.

## Nomination Committee

The Nomination Committee's principal role is to guide the Board succession process. The Committee identifies persons qualified to become Board members and recommends director candidates for nomination by the Board and appointment by the shareholders' meeting.

The Nomination Committee met five times in 2017. Discussions included the nomination of directors for appointment or renewal, management targets, the evaluation of the Board and its committees, the global management trainee program and succession planning for key executive functions. The members of the Committee attended all meetings.



## Remuneration Committee

In accordance with the requirements of the Belgian Companies Code, the Remuneration Committee is composed exclusively of non-executive Board members and a majority of its members, i.e. Mr Olivier Goudet and Mr Elio Leoní Sceti, qualify as independent directors within the meaning of article 526ter of the Belgian Companies Code.

The Remuneration Committee's principal role is to guide the Board on decisions relating to the remuneration policies for the Board, the CEO and the Executive Board of Management (EBM) and on individual remuneration packages of directors, the CEO and members of the EBM.

The Remuneration Committee met five times in 2017. Discussions included achievement of targets, Executive and Board compensation, Executive shares and options schemes, Long Term Incentive grants to directors, new compensation models and special incentives. The members of the Committee attended all meetings.

## 2.3. Evaluation of the Board and its committees

For each financial year, the Board performs an evaluation of its performance at the initiative of the Chairman. The evaluation constitutes a separate agenda item for a physical meeting of the Board. Discussions take place in executive session in the absence of management. A third party may act as facilitator.

During such meeting, each director is requested to comment on and evaluate the following topics:

- effectiveness of Board and committee operations (e.g. checking that important issues are suitably prepared and discussed, time available for discussion of important policy matters, checking availability and adequacy of pre-read, etc.),
- the qualifications and responsibilities of individual directors (e.g. actual contribution of each director, the director's presence at the meetings and his/her involvement in discussions, impact of changes to the director's other relevant commitments outside the company)
- effectiveness of oversight of management and interaction with management
- composition and size of the Board and committees. Evaluation will at least take into account the following criteria:
  - › director independence: an affirmative determination as to the independence will be made in accordance with the independence criteria published in the Corporate Governance Charter
  - › other commitments of directors: the outside Board commitments of each director enhance experience and perspective of directors, but will be reviewed on a case-by-case basis to ensure that each director can devote proper attention to the fulfillment of his oversight responsibilities
  - › disqualifying circumstances: certain circumstances may constitute a disqualification for membership on the Board (e.g. Board membership of a major supplier, customer or competitor of the company, membership of a federal or regional government). Circumstances will be evaluated on a case-by-case basis to ensure that directors are not conflicted
  - › skills and previous contributions: the company expects that all directors prepare for, attend and participate actively and constructively in all meetings; exercise their business judgment in good faith; focus their efforts on ensuring that the company's business is conducted so as to further the interests of the shareholders; and become and remain well informed about the company, relevant business and economic trends and about the principles and practices of sound Corporate Governance

Following review and discussion of the responses, the Chairman of the Board may table proposals to enhance the performance or effectiveness of the functioning of the Board. Advice can be requested from a third-party expert.

The evaluation of the Audit Committee is a re-occurring agenda item for the Committee and is performed about once a year. This evaluation is discussed at a Committee meeting and includes assessment of its planning going forward, the appropriateness of the time allocated to its various areas of responsibility, its composition and any areas for improvement. Any major action points resulting therefrom are reported to the Board.

## 2.4. Certain transactions and other contractual relationships

There are no transactions or other contractual relationships to be reported between the company and its Board members that gave rise to conflicting interests as defined in the Belgian Companies code.

The company is prohibited from making loans to directors, whether for the purpose of exercising options or for any other purpose.

## 3. Chief Executive Officer and Executive Board of Management

The Chief Executive Officer (CEO) is entrusted by the Board with responsibility for the day-to-day management of the company. The CEO has direct operational responsibility for the entire company. The CEO leads an Executive Board of Management (EBM) which comprises global functional heads (or "Chiefs") and Zone presidents including the Chief Executive Officer of Ambev (Bernardo Pinto Paiva), who reports to the Board of directors of Ambev.

## Corporate governance statement

As per 1 January 2018, our Executive Board of Management consisted of the following members:

### Carlos Brito – CEO

#### Functional heads (Chiefs)

<b>David Almeida</b>	Chief People Officer; and Chief Sales Officer ad interim (effective 1 January 2018) <sup>(1)</sup>
<b>John Blood</b>	General Counsel and Company Secretary (effective 1 August 2017) <sup>(2)</sup>
<b>Felipe Dutra</b>	Chief Financial & Technology Officer
<b>Pedro Earp</b>	Chief Disruptive Growth Officer
<b>David Kamenetzky</b>	Chief Strategy & External Affairs Officer
<b>Peter Kraemer</b>	Chief Supply Officer
<b>Tony Milikin</b>	Chief Procurement & Sustainability Officer
<b>Miguel Patricio</b>	Chief Marketing Officer
<b>Claudio Braz Ferro</b>	Chief Supply Integration Officer (until 31 January 2018)

#### Zone presidents

<b>Jan Craps</b>	Asia Pacific South
<b>Michel Doukeris</b>	North America (effective 1 January 2018) <sup>(2)</sup>
<b>Jean Jereissati</b>	Asia Pacific North
<b>Mauricio Leyva</b>	Middle Americas
<b>Carlos Lisboa</b>	Latin America South
<b>Stuart MacFarlane</b>	Europe
<b>Ricardo Tadeu</b>	Africa
<b>Ricardo Moreira</b>	Latin America COPEC
<b>Bernardo Pinto Paiva</b>	Latin America North

#### Notes

<sup>(1)</sup>Claudio Garcia was Chief People Officer until 31 December 2017. David Almeida, formerly Chief Integration Officer, replaced Claudio Garcia as Chief People Officer as of 1 January 2018. In addition, David Almeida has assumed the role of Chief Sales Officer ad interim, replacing Michel Doukeris.

<sup>(2)</sup>João Castro Neves was Zone President North America until 31 December 2017. Michel Doukeris, formerly Chief Sales Officer, replaced João Castro Neves as Zone President North America as of 1 January 2018.

<sup>(3)</sup>Sabine Chalmers was Chief Legal Officer until 31 July 2017.

**Carlos Brito** is AB InBev's CEO. Born in 1960, he is a Brazilian citizen and received a Degree in Mechanical Engineering from the Universidade Federal do Rio de Janeiro and an MBA from Stanford University Graduate School of Business. Mr Brito joined Ambev in 1989 where he held roles in Finance, Operations, and Sales, before being appointed Chief Executive Officer in January 2004. He was appointed Zone President North America at InBev in January 2005 and Chief Executive Officer in December 2005. He is a member of the board of directors of Ambev and of the Advisory Board of Grupo Modelo. He is also an Advisory Council Member of the Stanford Graduate School of Business and serves on the Advisory Board of the Tsinghua University School of Economics and Management.

**David Almeida** is AB InBev's Chief People Officer and Chief Sales Officer ad interim. Born in 1976, Mr Almeida is a dual citizen of the U.S. and Brazil and holds a Bachelor's Degree in Economics from the University of Pennsylvania. Most recently, he served as Chief Integration Officer having previously held the positions of Vice President, U.S. Sales and of Vice President, Finance for the North American organisation. Prior to that, he served as InBev's head of mergers and acquisitions, where he led the combination with Anheuser-Busch in 2008 and subsequent integration activities in the U.S. Before joining InBev in 1998, he worked at Salomon Brothers in New York as a financial analyst in the Investment Banking division.

**John Blood** is AB InBev's General Counsel and Company Secretary. Born in 1967, Mr Blood is a U.S. citizen and holds a bachelor's degree from Amherst College and a JD degree from the University of Michigan Law School. Mr Blood joined AB InBev in 2009 as Vice President Legal, Commercial and M&A where he focused on global Mergers & Acquisitions, Compliance and Corporate law. Most recently Mr. Blood was Zone Vice President Legal & Corporate Affairs in North America where he has led the legal and corporate affairs agenda for the United States and Canada. Prior to joining the company, Mr Blood led the corporate and litigation teams in Diageo's North American business where he had been primary counsel to its U.S. hard liquor, wine and beer divisions over his tenure.

**Jan Craps** is AB InBev's Zone President Asia Pacific South. Born in 1977, Mr Craps is a Belgian citizen and obtained a Degree in Business Engineering from KU Brussels and a Master's Degree in Business Engineering from KU Leuven, Belgium. He has also completed post-graduate programs in Marketing and Strategy from INSEAD in France, and the Kellogg School of Management and Wharton Business School in the United States. Mr Craps was an associate consultant with McKinsey & Company before joining AB InBev in 2002. He acquired a range of international experiences in a number of senior marketing, sales and logistics executive positions in France and Belgium. In 2011, he relocated to Canada where he was appointed Head of Sales for Canada followed by his appointment as President and CEO of Labatt Breweries of Canada in 2014.

**Michel Doukeris** is AB InBev's Zone President North America since 1 January 2018. Born in 1973, he is a Brazilian citizen and holds a Degree in Chemical Engineering from Federal University of Santa Catarina in Brazil and a Master's Degree in Marketing from Fundação Getúlio Vargas, also in Brazil. He has also completed post-graduate programs in Marketing and Marketing Strategy from the Kellogg School of Management and Wharton Business School in the United States. Mr Doukeris joined AB InBev in 1996 and held sales positions of increasing responsibility before becoming Vice President, Soft Drinks for AB InBev's Latin America North Zone in 2008. He was appointed President, AB InBev China in January 2010 and Zone President, Asia Pacific in January 2013. In January 2017, Mr Doukeris became Chief Sales Officer.

**Felipe Dutra** is AB InBev's Chief Financial and Technology Officer. Born in 1965, Mr Dutra is a Brazilian citizen and holds a Degree in Economics from Candido Mendes and an MBA in Controlling from Universidade de São Paulo. He joined Ambev in 1990 from Aracruz Celulose, a major Brazilian manufacturer of pulp and paper. At Ambev, he held various positions in Treasury and Finance before being appointed General Manager of one of AB InBev's subsidiaries. Mr Dutra was appointed Ambev's Chief Financial Officer in 1999 and Chief Financial Officer in January 2005. In 2014, Mr Dutra became AB InBev's Chief Financial and Technology Officer. He is also a member of the board of directors of Ambev and of the advisory board of Grupo Modelo and was formerly a member of the Grupo Modelo board of directors.

**Pedro Earp** is AB InBev's Chief Disruptive Growth Officer. Born in 1977, he is a Brazilian citizen and holds a Bachelor of Science degree in Financial Economics from the London School of Economics. Mr Earp joined AB InBev in 2000 as a Global Management Trainee in AB InBev's

**Latin America North Zone** In 2002, he became responsible for the Zone's M&A team and in 2005 he moved to AB InBev's global headquarters in Leuven, Belgium to become Global Director, M&A. Later, he was appointed Vice President, Strategic Planning in Canada in 2006, Global Vice President, Insights and Innovation in 2007, Global Vice President, M&A in 2009 and Vice President, Marketing for the Latin America North Zone in 2013. He was appointed Chief Disruptive Growth Officer of AB InBev in February 2015.

**Jean Jereissati** is AB InBev's Zone President Asia Pacific North. Born in 1974, Mr. Jereissati is a Brazilian citizen and earned a Bachelor's Degree in Business Administration from Fundação Getúlio Vargas in Brazil. Mr. Jereissati joined Ambev in 1998 in the commercial area. Prior to his appointment as AB InBev's Business Unit President China in 2013, he served as Business Unit President Hispanic Latin America, and CEO of Cerveceria Nacional Dominicana.

**David Kamenetzky** is AB InBev's Chief Strategy and External Affairs Officer. Born in 1969, he is a Swiss citizen and graduated from the University of St. Gallen, Switzerland, with a lic. oec. (diploma) in finance, accounting and controlling, and from Georgetown University, Washington DC, with a master of science in foreign service. Until September 2016, Mr. Kamenetzky served on the management team of Mars, Incorporated, one of the largest privately held companies and among the top food manufacturers, with responsibilities for corporate strategy, corporate affairs and enterprise wide strategic initiatives. He left Mars after a ten-year tenure and successfully set up his own growth capital fund for disruptive food and beverage companies. Prior to joining Mars, Mr. Kamenetzky worked for Goldman Sachs & Co. in London and Frankfurt. Before going into the private sector, he worked for many years in the not-for-profit world.

**Peter Kraemer** is AB InBev's Chief Supply Officer. Born in 1965, he is a U.S. Citizen. A fifth-generation Brewmaster and native of St. Louis, Mr. Kraemer holds a Bachelor's degree in Chemical Engineering from Purdue University and a Master's degree in Business Administration from St. Louis University. He joined AB InBev 29 years ago and has held various brewing positions over the years, including Group Director of Brewing and Resident Brewmaster of the St. Louis brewery. In 2008, Mr. Kraemer became Vice President, Supply, for AB InBev's North America Zone, leading all brewery operations, quality assurance, raw materials and product innovation responsibilities. He was appointed Chief Supply Officer of AB InBev in March 2016.

**Mauricio Leyva** is AB InBev's Zone President Middle Americas. Born in 1970, Mr. Leyva is a Colombian citizen and received a Bachelor's Degree in Business Administration from Universidad de Los Andes in Colombia and an International Management Diploma from ICN Postgraduate Business School, University de Nancy in France. Mr. Leyva joined SABMiller Colombia in January 2005 as Commercial Vice President. His background includes senior roles in Sales and Marketing. In 2009, he was appointed President of SABMiller Honduras and later moved to Peru as the President and CEO. In 2013 he was named Chairman and Managing Director for South Africa.

**Carlos Lisboa** is AB InBev's Zone President Latin America South. Born in 1969, Mr. Lisboa is a Brazilian citizen and received a Degree in Business Administration from the Catholic University of Pernambuco and a Marketing specialization from FESP, both in Brazil. Mr. Lisboa joined Ambev in 1993 and has built his career in Marketing and Sales. He was responsible for building the Skol brand in Brazil in 2001 and after that became Marketing Vice President for AB InBev's Latin American North Zone. Mr. Lisboa then led the International Business Unit in AB InBev's Latin America South Zone for two years prior to becoming Business Unit President for Canada. In 2015, he was appointed Marketing Vice President for AB InBev's Global Brands.

**Stuart MacFarlane** is AB InBev's Zone President Europe. Born in 1967, he is a citizen of the UK and received a Degree in Business Studies from Sheffield University in the UK. He is also a qualified Chartered Management Accountant. He joined AB InBev in 1992 and since then has held senior roles in Finance, Marketing and Sales and was Managing Director for AB InBev's business in Ireland. Mr. MacFarlane was appointed President of AB InBev UK & Ireland in January 2008, and, in January 2012, became AB InBev's Zone President, Central & Eastern Europe. In January 2014, he was appointed as Zone President, Europe to lead AB InBev's new single European zone.

**Tony Milikin** is AB InBev's Chief Procurement & Sustainability Officer. Tony is responsible for all Procurement, Sustainability and Vertical Operations globally. AB InBev's vertical operations consists of 75+ facilities and 10,000 employees and a strategic partner of our raw material supplies. Born in 1961, he is a U.S. citizen and holds an undergraduate Finance Degree from the University of Florida and an MBA in Marketing from Texas Christian University in Fort Worth, Texas. Tony joined AB InBev in May 2009 from MeadWestvaco, where he was Vice President, Supply Chain and Chief Purchasing Officer, based in Richmond, Virginia. Prior to joining MeadWestvaco, he held various purchasing and supply chain positions with increasing responsibilities at Monsanto and Alcon Laboratories.

**Ricardo Moreira** is AB InBev's Zone President Latin America COPEC. Born in 1971, he is a Portuguese citizen and received a Degree in Mechanical Engineering from Rio de Janeiro Federal University in Brazil and a specialisation in Management from University of Chicago in the U.S. Mr. Moreira joined Ambev in 1995 and held various positions in the Sales and Finance organisations prior to becoming Regional Sales Director in 2001. He subsequently held positions as Vice President Logistics & Procurement for Latin America North, Business Unit President for Hispanic Latin America (HILA) and Vice President Soft Drinks Latin America North. In 2013, Mr. Moreira moved to Mexico to head AB InBev's Sales, Marketing and Distribution organisations and lead the commercial integration of Grupo Modelo.

**Miguel Patricio** is AB InBev's Chief Marketing Officer. Born in 1966, he is a Portuguese citizen and holds a Degree in Business Administration from Fundação Getúlio Vargas in São Paulo. Prior to joining Ambev in 1998, Mr. Patricio held several senior positions across the Americas at Philip Morris, The Coca-Cola Company and Johnson & Johnson. At Ambev, he was Vice President, Marketing before being appointed Vice President, Marketing of InBev's North American zone based in Toronto in January 2005. In January 2006, he was promoted to Zone President, North America, and in January 2008 he moved to Shanghai to take on the role of Zone President, Asia Pacific. He became AB InBev's Chief Marketing Officer in July 2012.

**Bernardo Pinto Paiva** is AB InBev's Zone President, Latin America North. Born in 1968, he is a Brazilian citizen and holds a Degree in Engineering from Universidade Federal do Rio de Janeiro and an Executive MBA from Pontifícia Universidade Católica do Rio de Janeiro. Mr. Pinto Paiva joined Ambev in 1991 as a management trainee and during his career at AB InBev has held leadership positions in Sales, Supply, Distribution and Finance. He was appointed Zone President, North America in January 2008 and Zone President, Latin America South in January 2009 before becoming Chief Sales Officer in January 2012. Effective 1 January 2015, he became Zone President, Latin America North and CEO of Ambev.

## Corporate governance statement

**Ricardo Tadeu** is AB InBev's Zone President Africa. Born in 1976, he is a Brazilian citizen, and received a law degree from the Universidade Cândido Mendes in Brazil and a Master of Law from Harvard Law School in Cambridge, Massachusetts. He is also Six Sigma Black Belt certified. He joined AB InBev in 1995 and has held various roles across the Commercial area. He was appointed Business Unit President for AB InBev's operations in Hispanic Latin America in 2005, and served as Business Unit President, Brazil from 2008 to 2012. He served as Zone President, Mexico from 2013 until his appointment as Zone President Africa upon completion of the Combination. He is also a member of the board of directors of SABSA Holdings Ltd, Tanzania Breweries Ltd and Delta Corporation Ltd.

## 4. Internal control and risk management systems

The Board of directors and the EBM are responsible for establishing and maintaining adequate internal controls and risk management systems. Internal control is the process designed to provide reasonable assurance regarding achievement of objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. Risk management is the process designed to identify potential events that may affect the company and to manage risks to be within its risk appetite.

Without prejudice to the responsibilities of the Board as a whole, the Audit Committee oversees financial and business risk management and discusses the process by which management assesses and manages the company's exposure to those risks and the steps taken to monitor and control such exposure.

The company's major risk factors and uncertainties are described in the Risks and Uncertainties section of the Management report in AB InBev's annual report.

The company has established and operates its internal control and risk management systems based on guidelines issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The internal control system is based upon COSO's Internal Control—Integrated Framework of 2013 and its risk management system is based on COSO's Enterprise Risk Management Framework of 2004.

### Financial reporting

The EBM is responsible for establishing and maintaining adequate internal controls over financial reporting. The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS). Internal controls over financial reporting include those written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of company assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS;
- provide reasonable assurance that receipts and expenditures are being made only in accordance with authorization of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting includes the assessment of the relevant risks, the identification and monitoring of key controls and actions taken to correct deficiencies as identified. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The EBM assessed the effectiveness of the company's internal control over financial reporting as of 31 December 2017. As indicated above, management based this assessment on criteria for effective internal control over financial reporting described in "Internal Control — Integrated Framework" issued by COSO in May 2013. The assessment included an evaluation of the design of the company's internal control over financial reporting and testing of its operational effectiveness. Based on this assessment, the EBM determined that, as of 31 December 2017, the company maintained effective internal control over financial reporting.

The Board of directors and the Audit Committee reviewed the EBM's assessment. The review related among other things to ensuring that there are no significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information, and to the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

In addition, as a result of the listing of Anheuser-Busch InBev on the New York Stock Exchange, the company must adhere to Section 404 of the US Sarbanes-Oxley Act of 2002. As a consequence, the company is required to provide on a yearly basis a management report on the effectiveness of the company's internal control over financial reporting, as described in the Section and the rules implementing such act. Management's report and the Statutory Auditor's related opinion regarding the relevant financial year, will be included in the company's Annual Report on Form 20-F for such year, which is required to be filed with the US Securities and Exchange Commission.

### Internal Audit

The company has a professional and independent internal audit department. The appointment of the Head of internal audit is reviewed by the Audit Committee. The Audit Committee reviews internal audit's risk assessment and annual audit plan and regularly receives internal audit reports for review and discussion.

Internal control deficiencies identified by internal audit are communicated in a timely manner to management and periodic follow-up is performed to ensure corrective action has been taken

Effective 1 January 2018, the Internal Audit function has been renamed to Risk Management.

## Compliance

AB InBev has a Compliance Program which fosters a culture of ethics, integrity and lawful behavior. This program includes a Code of Business Conduct and the Anti-Corruption Policy, which are available on the company's website and intranet. The Compliance Program further ensures compliance with applicable laws and regulations and the completion of an annual certification by management of compliance with the Code of Business Conduct.

A set of internal controls has been implemented and is periodically assessed at the Global and Local Compliance Committees, the Audit Committee and within the framework of internal audit.

The Global Compliance Committee, chaired by the General Counsel, assesses regulatory and ethical compliance risks for the company from a global perspective and provides strategic direction for the activities of the compliance function. On a quarterly basis, the Global Compliance Committee reviews the operation of the Compliance Program and follows-up on the reports submitted through the company's Compliance Helpline (whistle-blowing platform). In addition to the Global Compliance Committee, each Zone has its own Local Compliance Committee, which addresses local compliance matters.

The Audit Committee reviews the operation of the Compliance Program and the results of any compliance reviews or reports submitted through the company's global Compliance Helpline. On a regular basis, the Audit Committee also reviews the significant legal, compliance and regulatory matters that may have a material effect on the financial statements or the company's business, including material notices to or inquiries received from governmental agencies.

## 5. Shareholders structure

### 5.1. Shareholders' structure

The following table shows the shareholders' structure of Anheuser-Busch InBev based on the most recent notifications received by AB InBev and the Belgian Financial Services and Markets Authority (FSMA) by the shareholders listed below in accordance with article 6 of the Belgian law of 2 May 2007 on the notification of significant shareholdings.

Major shareholders	Number of Shares	% of voting rights <sup>(1)</sup>
<b>Holders of Ordinary Shares</b>		
1. <b>Stichting Anheuser-Busch InBev</b> , a stichting incorporated under Dutch law (the "Reference Shareholder")	663,074,832	34.29%
2. <b>EPS Participations Sàrl</b> , a company incorporated under Luxembourg law, affiliated to EPS, its parent company	130,257,459	6.74%
3. <b>EPS SA</b> , a company incorporated under Luxembourg law, affiliated to the Reference Shareholder that it jointly controls with BRC	99,999	0.01%
4. <b>BRC Sàrl</b> , a company incorporated under Luxembourg law, affiliated to the Reference Shareholder that it jointly controls with EPS	37,598,236	1.94%
5. <b>Rayvax Société d'Investissements SA</b> , a company incorporated under Belgian law	484,794	0.03%
6. <b>Sébastien Holding SA</b> , a company incorporated under Belgian law, affiliated to Rayvax, its parent company	10	0.00%
7. <b>Fonds Verhelst SPRL</b> , a company with a social purpose incorporated under Belgian law	0	0.00%
8. <b>Fonds Voorzitter Verhelst SPRL</b> , a company with a social purpose incorporated under Belgian law, affiliated to Fonds Verhelst SPRL with social purpose, that controls it	6,997,665	0.36%
9. <b>Stichting Fonds InBev-Baillet Latour</b> , a stichting incorporated under Dutch law	0	0.00%
10. <b>Fonds Baillet Latour SPRL</b> , a company with a social purpose incorporated under Belgian law, affiliated to Stichting Fonds InBev-Baillet Latour under Dutch law, that controls it	5,485,415	0.28%
11. <b>MHT Benefit Holding Company Ltd</b> , a company incorporated under the law of the Bahamas, acting in concert with Marcel Herrmann Telles within the meaning of Article 3, §2 of the Takeover Law	3,645,605	0.19%
12. <b>LTS Trading Company LLC</b> , a company incorporated under Delaware law, acting in concert with Marcel Herrmann Telles, Jorge Paulo Lemann and Carlos Alberto Sicupira within the meaning of Article 3, §2 of the Takeover Law	4,468	0.00%
<b>Holders of Restricted Shares</b>		
1. <b>Altria Group Inc.</b> <sup>(2)</sup>	185,115,417	9.57%
2. <b>Bevco Lux Sàrl</b> <sup>(3)</sup>	96,862,718	5.01%

#### Notes

<sup>(1)</sup>Holding percentages are calculated on the basis of the total number of shares in issue, excluding treasury shares (1,933,700,188). As at 31 December 2017, there were 2,019,241,973 shares in issue including 85,541,785 ordinary shares held in treasury by AB InBev and certain of its subsidiaries.

<sup>(2)</sup>In addition to the Restricted Shares listed above, Altria Group Inc. announced in its Schedule 13D beneficial ownership report on 11 October 2016 that, following completion of the business combination with SAB, it purchased 11,941,937 Ordinary Shares in the company. Finally, Altria further increased its position of Ordinary Shares in the company to 12,341,937, as disclosed in the Schedule 13D beneficial ownership report filed by Stichting dated 1 November 2016, implying an aggregate ownership of 10.2% based on the number of shares with voting rights as at 31 December 2017.

<sup>(3)</sup>In addition to the Restricted Shares listed above, Bevco Lux Sàrl announced in a notification made on 17 January 2017 in accordance with the Belgian law of 2 May 2007 on the notification of significant shareholdings, that it purchased 4,215,794 Ordinary Shares in the company, thereby increasing its aggregate ownership to 5.23% based on the number of shares with voting rights as at 31 December 2017.

## Corporate governance statement

The first twelve entities mentioned in the table act in concert (it being understood that (i) the first ten entities act in concert within the meaning of article 3, §1, 13° of the Belgian law of 2 May 2007 on the disclosure of significant shareholdings in issuers whose securities are admitted to trading on a regulated market and containing various provisions, implementing into Belgian law Directive 2004/109/CE, and (ii) the eleventh and twelfth entities act in concert with the first ten entities within the meaning of article 3, §2 of the Belgian law of 1 April 2007 on public takeover bids) and hold, as per the most recent notifications received by AB InBev and the FSMA in accordance with article 6 of the Belgian law of 2 May 2007 on the notification of significant shareholdings, in aggregate, 847,648,483 Ordinary Shares, representing 43.84% of the voting rights attached to the shares outstanding as of 31 December 2017 excluding treasury shares.

### 5.2. Shareholders' arrangements

Stichting Anheuser-Busch InBev (the "Reference Shareholder") has entered into shareholders' agreements with (a) BRC, EPS, EPS Participations, Rayvax Société d'Investissements SA (Rayvax), (b) Fonds Baillet Latour SPRL with a social purpose and Fonds Voorzitter Verhelst SPRL with a social purpose, and (c) the largest holders of restricted shares in the company (the Restricted Shareholders)

#### a) Reference Shareholder's agreement

In connection with the combination of Interbrew with Ambev in 2004, BRC, EPS, Rayvax and the Reference Shareholder entered into a shareholders' agreement on 2 March 2004 which provided for BRC and EPS to hold their interests in the old Anheuser-Busch InBev through the Reference Shareholder (except for approximately 130 million shares held directly or indirectly by EPS and approximately 37 million shares held directly by BRC). The shareholders' agreement was amended and restated on 9 September 2009. On 18 December 2013, EPS contributed to EPS Participations its certificates in the Reference Shareholder and the shares it held in the old Anheuser-Busch InBev except for 100,000 shares. Immediately thereafter, EPS Participations joined the concert constituted by BRC, EPS, Rayvax and the Reference Shareholder and adhered to the shareholders' agreement. On 18 December 2014, the Reference Shareholder, EPS, EPS Participations, BRC and Rayvax entered into a new shareholders' agreement that replaced the previous shareholders' agreement of 2009. On 11 April 2016, the parties thereto entered into an amended and restated new shareholders' agreement (the "2016 Shareholders' Agreement").

*The 2016 Shareholders' Agreement addresses, among other things, certain matters relating to the governance and management of both AB InBev and the Reference Shareholder, as well as (i) the transfer of the Reference Shareholder certificates, and (ii) the de-certification and re-certification process for the company's shares (the "Shares") and the circumstances in which the Shares held by the Reference Shareholder may be de-certified and/or pledged at the request of BRC, EPS and EPS Participations*

The 2016 Shareholders' Agreement provides for restrictions on the ability of BRC and EPS/EPS Participations to transfer their Reference Shareholder certificates

Pursuant to the terms of the 2016 Shareholders' Agreement, BRC and EPS/EPS Participations jointly and equally exercise control over the Reference Shareholder and the Shares held by the Reference Shareholder. The Reference Shareholder is managed by an eight-member board of directors and each of BRC and EPS/EPS Participations have the right to appoint four directors to the Reference Shareholder board of directors. Subject to certain exceptions, at least seven of the eight Reference Shareholder directors must be present or represented in order to constitute a quorum of the Reference Shareholder board, and any action to be taken by the Reference Shareholder board of directors will, subject to certain qualified majority conditions, require the approval of a majority of the directors present or represented, including at least two directors appointed by BRC and two directors appointed by EPS/EPS Participations. Subject to certain exceptions, all decisions of the Reference Shareholder with respect to the Shares it holds, including how such Shares will be voted at shareholders' meetings of AB InBev (Shareholders' Meetings), will be made by the Reference Shareholder board of directors

The 2016 Shareholders' Agreement requires the Reference Shareholder board of directors to meet prior to each shareholders' meeting to determine how the Shares held by the Reference Shareholder are to be voted

*The 2016 Shareholders' Agreement requires EPS, EPS Participations, BRC and Rayvax, as well as any other holder of certificates issued by the Reference Shareholder, to vote their Shares in the same manner as the Shares held by the Reference Shareholder. The parties agree to effect any free transfers of their Shares in an orderly manner of disposal that does not disrupt the market for the Shares and in accordance with any conditions established by the company to ensure such orderly disposal. In addition, under the 2016 Shareholders' Agreement, EPS, EPS Participations and BRC agree not to acquire any shares of Ambev's capital stock, subject to limited exceptions*

Pursuant to the 2016 Shareholders' Agreement, the Reference Shareholder board of directors will propose to the shareholders' meeting nine candidates for appointment to the Board, among which each of BRC and EPS/EPS Participations will have the right to nominate four candidates, and one candidate will be nominated by the Reference Shareholder board of directors.

The 2016 Shareholders' Agreement will remain in effect for an initial term until 27 August 2034. It will be automatically renewed for successive terms of ten years each unless, not later than two years prior to the expiration of the initial or any successive ten-year term, either party to the 2016 Shareholders' Agreement notifies the other of its intention to terminate the 2016 Shareholders' Agreement

#### b) Voting agreement between the Reference Shareholder and the foundations

In addition, the Reference Shareholder has entered into a voting agreement with Fonds Baillet Latour SPRL with a social purpose and Fonds Voorzitter Verhelst SPRL with a social purpose. This agreement provides for consultations between the three bodies before any shareholders'

meetings to decide how they will exercise the voting rights attached to their Shares. Consensus is required for all items that are submitted to the approval of any shareholders' meetings. If the parties fail to reach a consensus, Fonds Baillet Latour SPRL with a social purpose and Fonds Voorzitter Verhelst SPRL with a social purpose will vote their Shares in the same manner as the Reference Shareholder. The voting agreement is valid until 1 November 2034.

c) **Voting agreement between the Reference Shareholder and Restricted Shareholders**

On 8 October 2016, the Reference Shareholder and each holder of restricted shares (such holders being the Restricted Shareholders) holding more than 1% of the company's total share capital, being Altria Group Inc. and Bevco LTD, have entered into a voting agreement, to which the company is also a party, under which notably:

- the Reference Shareholder is required to exercise the voting rights attached to its Ordinary Shares to give effect to the directors' appointment principles set out in articles 19 and 20 of the Articles of Association of the company;
- each Restricted Shareholder is required to exercise the voting rights attached to its Ordinary Shares and Restricted Shares, as applicable, to give effect to the directors' appointment principles set out in articles 19 and 20 of the Articles of Association; and
- each Restricted Shareholder is required not to exercise the voting rights attached to their Ordinary Shares and Restricted Shares, as applicable, in favor of any resolutions which would be proposed to modify the rights attached to Restricted Shares, unless such resolution has been approved by a qualified majority of the holders of at least 75% of the Restricted Shareholder Voting Shares (as defined in the Articles of Association).

## 6. Items to be disclosed pursuant to article 34 of the Belgian Royal Decree of 14 November 2007

According to article 34 of the Belgian Royal Decree of 14 November 2007, Anheuser-Busch InBev hereby discloses the following items:

### 6.1. Capital structure and authorizations granted to the Board

The company's share capital is divided in two categories of shares: all shares are ordinary shares (the "Ordinary Shares"), except for 325,999,817 restricted shares (the "Restricted Shares"). Ordinary shares and Restricted Shares have the same rights except as set out in the Articles of Association. Restricted Shares shall always be in registered form and shall not be listed or admitted to trading on any stock market.

Anheuser-Busch InBev may increase or decrease its share capital with the specific approval of a shareholders' meeting. The shareholders may also authorize the Board of directors to increase the share capital. Such authorization must be limited in time and amount. In either case, the shareholders' approval or authorization must satisfy the quorum and majority requirements applicable to amendments to the Articles of Association. At the annual shareholders' meeting of 26 April 2017, the shareholders authorized the Board of directors to increase the share capital of AB InBev to an amount not to exceed 3% of the total number of shares issued and outstanding on 26 April 2017 (i.e. 2,019,241,973). This authorization has been granted for five years. It can be used for several purposes, including when the sound management of the company's business or the need to react to appropriate business opportunities calls for a restructuring, an acquisition (whether private or public) of securities or assets in one or more companies or, generally, any other appropriate increase of the company's capital.

AB InBev's Board of directors has been authorized by the shareholders' meeting to acquire, on or outside the stock exchange, AB InBev shares up to maximum 20% of the issued shares for a unitary price which will not be lower than 1 Euro and not higher than 20% above the highest closing price in the last 20 trading days preceding the transaction. This authorization is valid for 5 years from 28 September 2016.

### 6.2. Voting rights and transferability of shares and shareholders' arrangements

#### ***Voting rights, quorum and majority requirements***

Each share entitles the holder to one vote.

Generally, there is no quorum requirement for a shareholders' meeting and decisions will be taken by a simple majority vote of shares present or represented. However, certain matters will require a larger majority and/or a quorum. These include the following:

- any amendment to the Articles of Association (except the amendments to the corporate purpose or the transformation of the legal form of the company), including inter alia, reductions or increases of the share capital of the company (except for capital increases decided by the Board pursuant to the authorised capital) or any resolution relating to a merger or demerger of the company require the presence in person or by proxy of shareholders holding an aggregate of at least 50% of the issued share capital, and the approval of a qualified majority of at least 75% of the votes cast at the meeting;
- any modification of the purpose or corporate form of the company or authorisation to repurchase shares of the company requires a quorum of shareholders holding an aggregate of at least 50% of the share capital and approval by a qualified majority of at least 80% of the votes cast at the meeting;

## Corporate governance statement

- (iii) resolutions relating to the modification of the rights attached to a particular class of shares will require the presence in person or by proxy of shareholders holding an aggregate of at least 50% of the issued share capital in each class of shares and the approval of a qualified majority of at least 75% of the votes cast at the meeting in each class of shares,  
(in each of the cases (i), (ii) and (iii), if a quorum is not present, a second meeting must be convened. At the second meeting, the quorum requirement does not apply. However, the qualified majority requirement of 75% or 80%, as the case may be, continues to apply), and
- (iv) any acquisition or disposal of tangible assets by the company for an amount higher than the value of one third of the company's consolidated total assets as reported in its most recent audited consolidated financial statements requires the approval of a qualified majority of at least 75% of the votes cast at the meeting (but there is no minimum quorum requirement)

As an additional rule, in the event of (i) a contribution in kind to the company with assets owned by any person or entity which is required to file a transparency declaration pursuant to applicable Belgian law or a subsidiary (within the meaning of article 6 of the Companies Code) of such person or entity, or (ii) a merger of the company with such a person or entity or a subsidiary of such person or entity, then such person or entity and its subsidiaries shall not be entitled to vote on the resolution submitted to the shareholders' meeting to approve such contribution in kind or merger.

### Transferability of shares

Ordinary Shares are freely transferable

As far as Restricted Shares are concerned, no Restricted Shareholder is able, in each case directly or indirectly, to transfer, sell, contribute, offer, grant any option on, otherwise dispose of, pledge, charge, assign, mortgage, grant any lien or any security interest on, enter into any certification or depository arrangement or enter into any form of hedging arrangement with respect to, any of its Restricted Shares or any interests therein or any rights relating thereto, or enter into any contract or other agreement to do any of the foregoing, for a period of five years from 10 October 2016, except in the specific instances set out in the Articles of Association in connection with transactions with Affiliates and Successors or in relation with Pledges. Each of the terms Affiliates, Successors and Pledge is defined in the Articles of Association.

### Conversion

#### Voluntary conversion

Each Restricted Shareholder will have the right to convert all or part of its holding of Restricted Shares into Ordinary Shares at its election (i) at any time after 10 October 2021, and (ii) in some limited other instances, including immediately prior to, but then solely for the purpose of facilitating, or at any time after entering into an agreement or arrangement to effect any permitted transfer, as set out in article 7.3 b (ii) of the Articles of Association of the company.

#### Automatic conversion

The Restricted Shares shall automatically convert into Ordinary Shares in the situations set out in article 7.6 of the Articles of Association, i.e.:

- (i) upon any transfer, sale, contribution or other disposal, except as set out in article 7.6 (a) of the Articles of Association in connection with transactions with Affiliates and Successors or in relation with Pledges,
- (ii) immediately prior to the closing of a successful public takeover bid for all shares of the company or the completion of a merger of Anheuser-Busch InBev as acquiring or disappearing company, in circumstances where the shareholders directly or indirectly, controlling or exercising directly or indirectly joint control over AB InBev immediately prior to such takeover bid or merger will not directly or indirectly control, or exercise joint control over, AB InBev or the surviving entity following such takeover bid or merger; or
- (iii) upon the announcement of a squeeze-out bid for the outstanding shares of the company, in accordance with article 513 of the Companies Code

### Shareholders arrangements

Please refer to section 5 above.

## 6.3. Significant agreements or securities of Anheuser-Busch InBev that may be impacted by a change of control on the company

- 1 **USD 9,000,000,000 (originally USD 13,000,000,000) Senior Facilities Agreement** In accordance with Article 556 of the Belgian Companies Code, the shareholders meeting of the old Anheuser-Busch InBev SA/NV (the "Company") approved on 27 April 2010, (i) Clause 17 (*Mandatory Prepayment*) of the USD 13,000,000,000 Senior Facilities Agreement dated 26 February 2010 entered into by, amongst others, the Company and Anheuser-Busch InBev Worldwide Inc. as original borrowers, the original guarantors and original lenders listed therein, Bank of America Securities Limited, Banco Santander, S.A., Barclays Capital, Deutsche Bank AG, London Branch, Fortis Bank SA/NV, ING Bank NV, Intesa Sanpaolo S.p.A., J.P. Morgan PLC, Mizuho Corporate Bank, Ltd, The Royal Bank of Scotland plc, Société Générale Corporate and Investment Banking, and The Bank of Tokyo-Mitsubishi UFJ, LTD as mandated lead arrangers and bookrunners and Fortis Bank SA/NV as agent and issuing bank (as amended and/or amended and restated from time to time) (the "2010 Senior Facilities Agreement") and (ii) any other provision of the 2010 Senior Facilities Agreement granting rights to third parties which could affect the Company's assets or could impose an obligation on the Company where in each case the exercise of those rights is dependent on the launch of a public take-over bid over the shares of the Company or on a "Change of Control" (as defined in the 2010 Senior Facilities Agreement). Pursuant to the 2010 Senior Facilities Agreement (a) "Change of Control" means "any person or group of persons acting in concert (in each case other than Stichting InBev or any existing direct or indirect certificate holder or certificate holders of Stichting InBev or any person or group of persons acting in concert with any such persons) gaining Control of the Company," (b) "acting in concert" means "a group of persons who, pursuant to an agreement or understanding (whether



formal or informal), actively co-operate, through the acquisition directly or indirectly of shares in the Company by any of them, either directly or indirectly, to obtain Control of the Company" and (c) "Control" means, in respect of the Company, the "direct or indirect ownership of more than 50 per cent of the share capital or similar rights of ownership of the Company or the power to direct the management and the policies of the Company whether through the ownership of share capital, contract or otherwise"

Clause 17 of the 2010 Senior Facilities Agreement grants, in essence, to any lender under the 2010 Senior Facilities Agreement, upon a Change of Control over the Company, the right (i) not to fund any loan or letter of credit (other than a rollover loan meeting certain conditions) and (ii) (by not less than 30 days written notice) to cancel its undrawn commitments and require repayment of its participations in the loans or letters of credit, together with accrued interest thereon, and all other amounts owed to such lender under the 2010 Senior Facilities Agreement (and certain related documents).

The 2010 Senior Facilities Agreement was amended on 25 July 2011 and extended on 20 August 2013. It has been amended and restated on 28 August 2015 (the 2010 Senior Facilities Agreement as amended and restated being the "**Amended and Restated 2010 Senior Facilities Agreement**") so as to increase the total commitments from USD 8,000,000,000 to USD 9,000,000,000 and to extend its term with 5 years from the date of its restatement with the possibility to extend the term by a further two years at the option of the Company.

As a result of the amendment and restatement of the 2010 Senior Facilities Agreement, the shareholders' meeting of the old Anheuser-Busch InBev of 27 April 2016 has approved, in accordance with Article 556 of the Belgian Companies Code, (i) Clause 17 (*Mandatory Prepayment*) of the Amended and Restated 2010 Senior Facilities Agreement and (ii) any other provision of the Amended and Restated 2010 Senior Facilities Agreement granting rights to third parties which could affect the company's assets or could impose an obligation on the Company where in each case the exercise of those rights is dependent on the launch of a public take-over bid over the shares of the company or on a "Change of Control". The definition of the terms "Change of Control", "acting in concert" and "Control" remained unchanged in the Amended and Restated 2010 Senior Facilities Agreement.

The Amended and Restated 2010 Senior Facilities Agreement has been transferred to the company as a result of the merger between Anheuser-Busch InBev (formerly "Newbelco") and the old AB InBev, that took place on 10 October 2016 in the framework of the combination with SAB.

On 3 October 2017, the maturity date of the Amended and Restated 2010 Senior Facilities Agreement was extended to August 2022.

As of 31 December 2017, the company had not made any drawdowns under the Amended and Restated 2010 Senior Facilities Agreement.

- 2 **USD 75,000,000,000 Senior Facilities Agreement.** In accordance with Article 556 of the Belgian Companies Code, the shareholders meeting of the old Anheuser-Busch InBev approved on 27 April 2016 (i) Clause 8.1 (*Change of control*) of the USD 75,000,000,000 Senior Facilities Agreement dated 28 October 2015 entered into by, among others, the Company as original borrower, the original guarantors and original lenders listed therein, Barclays Bank PLC, BNP Paribas Fortis SA/NV, Citigroup Global Markets Inc., Deutsche Bank AG, London Branch, HSBC Bank Plc, ING Bank N.V., Intesa Sanpaolo Banking Group (represented by Intesa Sanpaolo S.p.A. & Banca IMI S.p.A.), Merrill Lynch, Pierce, Fenner & Smith Inc., Mizuho Bank, Ltd., Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. "Rabobank Nederland", New York Branch, The Royal Bank of Scotland plc, Banco Santander, S.A., Société Générale, London Branch, Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Toronto-Dominion Bank, Unicredit Bank AG and Wells Fargo Securities, LLC as mandated lead arrangers and bookrunners and BNP Paribas Fortis SA/NV as agent (as amended and/or amended and restated from time to time) (the "**2015 Senior Facilities Agreement**") and (ii) any other provision of the 2015 Senior Facilities Agreement granting rights to third parties which could affect the Company's assets or could impose an obligation on the Company where in each case the exercise of those rights is dependent on the launch of a public take-over bid over the shares of the Company or on a "Change of Control" (as defined in the 2015 Senior Facilities Agreement). Pursuant to the 2015 Senior Facilities Agreement (a) "*Change of Control*" means "any person or group of persons acting in concert (in each case other than Stichting InBev or any existing direct or indirect certificate holder or certificate holders of Stichting InBev or any person or group of persons acting in concert with any such persons) gaining Control of the Company, (b) "*acting in concert*" means "a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition directly or indirectly of shares in the Company by any of them, either directly or indirectly, to obtain Control of the Company" and (c) "*Control*" means, in respect of the Company, the "direct or indirect ownership of more than 50 per cent of the share capital or similar rights of ownership of the Company or the power to direct the management and the policies of the Company whether through the ownership of share capital, contract or otherwise".

Clause 8.1 of the 2015 Senior Facilities Agreement grants, in essence, to any lender under the 2015 Senior Facilities Agreement, upon a Change of Control over the Company, the right (i) not to fund any loan and (ii) (by not less than 30 days written notice) to cancel its undrawn commitments and require repayment of its participations in any loans, together with accrued interest thereon, and all other amounts owed to such lender under the 2015 Senior Facilities Agreement (and certain related documents).

On 27 January 2016, USD 42.5 billion of the 2015 Senior Facilities Agreement was cancelled following bond issuances that took place in January 2016. On 4 April 2016, a further USD 12.5 billion of the 2015 Senior Facilities Agreement was cancelled and on 6 October 2016, USD 12 billion of the 2015 Senior Facilities Agreement was cancelled.

The 2015 Senior Facilities Agreement has been transferred to the company as a result of the merger between Anheuser-Busch InBev (formerly "Newbelco") and the old AB InBev, that took place on 10 October 2016 in the framework of the combination with SAB.

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As of 31 December 2016, the company (and its predecessor, the old Anheuser-Busch InBev) had made drawdowns under the 2015 Senior Facilities Agreement for a total amount of USD 8 billion

On 10 April 2017, USD 6 billion was repaid under the 2015 Senior Facilities Agreement and the remaining USD 2 billion was repaid on 12 June 2017. Consequently, the 2015 Senior Facilities Agreement has been fully repaid and is no longer available to the company

- 3 **EMTN Program.** In accordance with article 556 of the Belgian Companies Code, the shareholders' meeting of the old Anheuser-Busch InBev approved on 24 April 2013 (i) Condition 7.5 of the Terms & Conditions (Redemption at the Option of the Noteholders (Change of Control Put)) of the 15,000,000,000 Euro updated Euro Medium Term Note Program dated 16 May 2012 of Anheuser-Busch InBev SA/NV and Brandbrev SA (the "Issuers") and Deutsche Bank AG, London Branch, acting as Arranger, which may be applicable in the case of Notes issued under the Program (the "EMTN Program"), (ii) any other provision in the EMTN Program granting rights to third parties which could affect the company's assets or could impose an obligation on the company where in each case the exercise of those rights is dependent on the occurrence of a "Change of Control" (as defined in the Terms & Conditions of the EMTN Program). Pursuant to the EMTN Program, (a) "Change of Control" means "any person or group of persons acting in concert (in each case other than Stichting Anheuser-Busch InBev or any existing direct or indirect certificate holder or certificate holders of Stichting Anheuser-Busch InBev) gaining Control of the company provided that a change of control shall not be deemed to have occurred if all or substantially all of the shareholders of the relevant person or group of persons are, or immediately prior to the event which would otherwise have constituted a change of control were, the shareholders of the company with the same (or substantially the same) pro rata interests in the share capital of the relevant person or group of persons as such shareholders have, or as the case may be, had, in the share capital of the company", (b) "acting in concert" means "a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate, through the acquisition directly or indirectly of shares in the company by any of them, either directly or indirectly, to obtain Control of the company", and (c) "Control" means the "direct or indirect ownership of more than 50 per cent of the share capital or similar rights of ownership of the company or the power to direct the management and the policies of the company whether through the ownership of share capital, contract or otherwise"

If a Change of Control Put is specified in the applicable Final Terms of the concerned notes, Condition 7.5. of the Terms & Conditions of the EMTN Programme grants, to any holder of such notes, in essence, the right to request the redemption of his notes at the redemption amount specified in the Final Terms of the notes, together, if appropriate, with interest accrued, upon the occurrence of a Change of Control and a related downgrade of the notes to sub-investment grade.

The change of control provision above is included in the Final Terms of:

- the 750,000,000 Euro 7.375% Notes due 2013 (*Redeemed on 30 January 2013*), the 600,000,000 Euro 8.625% Notes due 2017 (*Redeemed on 9 December 2016*) and the 550,000,000 GBP 9.75% Notes due 2024, each issued by the company in January 2009;
- the 750,000,000 Euro 6.57% Notes due 2014, issued by the company in February 2009 (*Redeemed on 27 February 2014*),
- the 50,000,000 Euro FRN Notes that bear an interest at a floating rate of 3 month EURIBOR plus 3.90%, issued by the company in April 2009 (*Redeemed on 9 April 2014*);
- the 600,000,000 CHF 4.50% Notes due 2014 (*Redeemed on 11 June 2014*), issued by Brandbrev SA in June 2009 (with a guarantee by the company);
- the 250,000,000 Euro 5.75% Notes due 2015 (*Redeemed on 22 June 2015*) and the 750,000,000 GBP 6.50% Notes due 2017 (*Redeemed in June 2017*), each issued by the company in June 2009, and
- the 750,000,000 Euro 4% Notes due 2018, issued by the company in April 2010

The series of Notes referred to in the above paragraph were issued pursuant to the 10,000,000,000 Euro initial Euro Medium Term Note Programme dated 16 January 2009 or the 15,000,000,000 Euro updated Euro Medium Term Note Programme dated 24 February 2010 (as applicable). The relevant change of control provisions contained in the Final Terms of such series of Notes were submitted to, and approved by, the shareholders meetings of the old Anheuser-Busch InBev held on 28 April 2009 and 27 April 2010, respectively.

There is no change of control clause included in the Final Terms of any series of Notes issued pursuant to the EMTN Programme by the company and/or Brandbrev SA after April 2010

As a result of the update of the EMTN Programme on 22 August 2013 the Terms & Conditions of the updated EMTN Programme no longer provide for a Redemption at the option of the Noteholders (Change of Control Put).

In May 2016, the old Anheuser-Busch InBev invited Noteholders of certain outstanding series of Notes issued under the EMTN Programme prior to 2016 (the "Notes") to consider certain amendments to the terms and conditions applicable to those Notes (the "Participation Solicitation"). The Participation Solicitation was undertaken to avoid any suggestion that the combination with SAB could be interpreted as a cessation of business (or a threat to do so), winding up or dissolution of the old Anheuser-Busch InBev

Meetings of the Noteholders of each series of the Notes were held on 1 June 2016 at which Noteholders voted in favour of the Participation Solicitation for each of the relevant series of Notes. Amended and restated final terms for each series of the Notes reflecting the amended terms and conditions, were signed by the old Anheuser-Busch InBev and the subsidiary guarantors named therein on 1 June 2016

The EMTN Program has been transferred to the company as a result of the merger between Anheuser-Busch InBev (formerly "Newbelco") and the old AB InBev, that took place on 10 October 2016 in the framework of the combination with SAB

- 4 **US Dollar Notes** In accordance with article 556 of the Belgian Companies Code, the shareholders meeting of the old Anheuser-Busch InBev approved on 26 April 2011 (i) the Change of Control Clause of the USD 3,250,000,000 Notes issued on 29 and 26 March 2010, consisting of USD 1,000,000,000 2.50% Notes due 2013 (*Exchanged for Registered Notes in an exchange offer that closed on 2 September 2010*

and redeemed on 26 March 2013), USD 750,000,000 3.625% Notes due 2015 (*Exchanged for Registered Notes in an exchange offer that closed on 2 September 2010 and redeemed on 15 April 2015*), USD 1,000,000,000 5.00% Notes due 2020 (*Exchanged for Registered Notes in an exchange offer that closed on 2 September 2010*) and USD 500,000,000 Floating Rate Notes due 2013 (*Exchanged for Registered Notes in an exchange offer that closed on 2 September 2010 and redeemed on 26 March 2013*) (the "Unregistered Notes issued in March 2010"), (ii) the Change of Control Clause of the USD 3,250,000,000 Registered Notes issued in September 2010, consisting of USD 1,000,000,000 2.50% Notes due 2013 (*Redeemed on 26 March 2013*), USD 750,000,000 3.625% Notes due 2015 (*Redeemed on 15 April 2015*), USD 1,000,000,000 5.00% Notes due 2020 and USD 500,000,000 Floating Rate Notes due 2013 (*Redeemed on 26 March 2013*) and offered in exchange for corresponding amounts of the corresponding Unregistered Notes issued in March 2010, in accordance with a US Form F-4 Registration Statement pursuant to an exchange offer launched by Anheuser-Busch InBev Worldwide Inc. in the U.S. on 5 August 2010 and expired on 2 September 2010 (the "Registered Notes issued in September 2010"), (iii) the Change of Control Clause of the USD 8,000,000,000 Registered Notes issued in March 2011, consisting of USD 1,250,000,000 7.20% Notes due 2014 (*Redeemed on 20 June 2011*), USD 2,500,000,000 7.75% Notes due 2019 and USD 1,250,000,000 8.20% Notes due 2039, USD 1,550,000,000 5.375% Notes due 2014 (*Redeemed on 15 November 2014*), USD 1,000,000,000 6.875% Notes due 2019 and USD 450,000,000 8.00% Notes due 2039 and offered in exchange for corresponding amounts of the corresponding Unregistered Notes issued in January 2009 and of the corresponding Unregistered Notes issued in May 2009, in accordance with a US Form F-4 Registration Statement pursuant to an exchange offer launched by Anheuser-Busch InBev Worldwide Inc. in the U.S. on 11 February 2011 and expired on 14 March 2011 (the "Registered Notes issued in March 2011"), whereby each of the Unregistered Notes issued in March 2010, the Registered Notes issued in September 2010 and the Registered Notes issued in March 2011 were issued by Anheuser-Busch InBev Worldwide Inc. with an unconditional and irrevocable guarantee as to payment of principal and interest from the old Anheuser-Busch InBev, and (iv) any other provision applicable to the Unregistered Notes issued in March 2010, the Registered Notes issued in September 2010 and the Registered Notes issued in March 2011 granting rights to third parties which could affect the company's assets or could impose an obligation on the company where in each case the exercise of those rights is dependent on the launch of a public take-over bid over the shares of the company or on a "Change of Control" (as defined in the Offering Memorandum with respect to the Unregistered Notes, as the case may be, and in the Registration Statement with respect to the Registered Notes) Pursuant to the Offering Memorandum and Registration Statement (a) "Change of Control" means "any person or group of persons acting in concert (in each case other than Stichting Anheuser-Busch InBev or any existing direct or indirect certificate holder or certificate holders of Stichting Anheuser-Busch InBev) gaining Control of the company provided that a change of control shall not be deemed to have occurred if all or substantially all of the shareholders of the relevant person or group of persons are, or immediately prior to the event which would otherwise have constituted a change of control were, the shareholders of the company with the same (or substantially the same) pro rata interests in the share capital of the relevant person or group of persons as such shareholders have, or as the case may be, had, in the share capital of the company", (b) "Acting in concert" means "a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate, through the acquisition directly or indirectly of shares in the company by any of them, either directly or indirectly, to obtain Control of the company", and (c) "Control" means the "direct or indirect ownership of more than 50 per cent of the share capital or similar rights of ownership of the company or the power to direct the management and the policies of the company whether through the ownership of share capital, contract or otherwise"

The Change of Control clause grants to any Noteholder, in essence, the right to request the redemption of his Notes at a repurchase price in cash of 101% of their principal amount (plus interest accrued) upon the occurrence of a Change of Control and a related downgrade in the Notes to sub-investment grade

A similar change of control provision was approved by the shareholders' meeting of the old Anheuser-Busch InBev on 28 April 2009 with respect to:

- the USD 5,000,000,000 Notes, consisting of USD 1,250,000,000 7.20% Notes due 2014 (*Exchanged for Registered Notes in an exchange offer that closed on 14 March 2011 and redeemed on 20 June 2011*), USD 2,500,000,000 7.75% Notes due 2019 (*Exchanged for Registered Notes in an exchange offer that closed on 14 March 2011*) and USD 1,250,000,000 8.20% Notes due 2039 (*Exchanged for Registered Notes in an exchange offer that closed on 14 March 2011*), each issued in January 2009 by Anheuser-Busch InBev Worldwide Inc. with an unconditional and irrevocable guarantee as to payment of principal and interest from Anheuser-Busch InBev SA/NV (the "Unregistered Notes issued in January 2009")

A similar change of control provision was approved by the shareholders' meeting of the old Anheuser-Busch InBev on 27 April 2010 with respect to:

- the USD 3,000,000,000 Notes issued in May 2009, consisting of USD 1,550,000,000 5.375% Notes due 2014 (*Exchanged for Registered Notes in an exchange offer that closed on 14 March 2011 and redeemed on 15 November 2014*), USD 1,000,000,000 6.875% Notes due 2019 and USD 450,000,000 8.00% Notes due 2039 (the "Unregistered Notes issued in May 2009") each issued by Anheuser-Busch InBev Worldwide Inc. with an unconditional and irrevocable guarantee as to payment of principal and interest from the old Anheuser-Busch InBev
- the USD 5,500,000,000 Notes issued in October 2009, consisting of USD 1,500,000,000 3.00% Notes due 2012 (*Exchanged for Registered Notes in an exchange offer that closed on 05 February 2010 and redeemed on 15 October 2012*), USD 1,250,000,000 4.125% Notes due 2015 (*Exchanged for Registered Notes in an exchange offer that closed on 5 February 2010 and redeemed on 15 January 2015*), USD 2,250,000,000 5.375% Notes due 2020 and USD 500,000,000 6.375% Notes due 2040 (the "Unregistered Notes issued in October 2009") each issued by Anheuser-Busch InBev Worldwide Inc. with an unconditional and irrevocable guarantee as to payment of principal and interest from the old Anheuser-Busch InBev
- the USD 5,500,000,000 Registered Notes issued in February 2010, consisting of USD 1,500,000,000 3% Notes due 2012 (*Redeemed on 15 October 2012*), USD 1,250,000,000 4.125% Notes due 2015 (*Redeemed on 15 January 2015*), USD 2,250,000,000 5.375% Notes due 2020 and USD 500,000,000 6.375% Notes due 2040 and offered in exchange for corresponding amounts of the corresponding Unregistered Notes issued in October 2009, in accordance with a US Form F-4 Registration Statement pursuant to an exchange offer launched by Anheuser-Busch InBev Worldwide Inc. in the US on 8 January 2010 and expired on 5 February 2010 (the "Registered Notes issued in February 2010") each issued by Anheuser-Busch InBev Worldwide Inc. with an unconditional and irrevocable guarantee as to payment of principal and interest from the old Anheuser-Busch InBev

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The US Dollar Notes have been transferred to the company as a result of the merger between Anheuser-Busch InBev (formerly "Newbelco") and the old AB InBev, which took place on 10 October 2016 in the framework of the combination with SAB.

### 5 Notes issued under Anheuser-Busch InBev's Shelf Registration Statement filed on Form F-3.

For the sake of completeness, there is no Change of Control Clause applicable to outstanding Notes issued under Anheuser-Busch InBev's Shelf Registration Statement filed on Form F-3 (with an unconditional and irrevocable guarantee as to payment of principal and interest from Anheuser-Busch InBev SA/NV).

## 7. Remuneration report

This report was approved by the Remuneration Committee on 22 February 2018

### 7.1. Remuneration of directors

**7.1.1 Approval Procedure** The Remuneration Committee recommends the level of remuneration for directors, including the Chairman of the Board. These recommendations are subject to approval by the Board and, subsequently, by the shareholders at the annual general meeting.

The Remuneration Committee benchmarks directors' compensation against peer companies. In addition, the Board sets and revises, from time to time, the rules and level of compensation for directors carrying out a special mandate or sitting on one or more of the Board committees and the rules for reimbursement of directors' business-related out-of-pocket expenses.

The Remuneration Committee consists of three members appointed by the Board, all of whom are non-executive directors. Currently, the Chairman of the Committee is a representative of the controlling shareholders and the two other members meet the requirements of independence as established in our Corporate Governance Charter and by the Belgian Companies Code. The CEO and the Chief People Officer are invited to the meetings of the Committee.

The Remuneration Committee's principal role is to guide the Board with respect to all its decisions relating to the remuneration policies for the Board, the CEO and the Executive Board of Management and on their individual remuneration packages. The Committee ensures that the CEO and members of the EBM are incentivized to achieve, and are compensated for, exceptional performance. The Committee also ensures the maintenance and continuous improvement of the company's compensation policy which is based on meritocracy and a sense of ownership with a view to aligning the interests of its employees with the interests of all shareholders.

The Committee meets four times a year and more often if required and is convoked by its Chairman or at the request of at least 2 of its members.

The composition, functioning and specific responsibilities of the Remuneration Committee are set forth in the terms of reference of the Committee, which are part of our Corporate Governance Charter.

#### 7.1.2. Remuneration policy applied in 2017

**a. Cash remuneration** Remuneration is linked to the time committed to the Board and its various committees. The base annual fee amounted to 75,000 Euro in 2017. The fee is supplemented with an amount of 1,500 Euro for each physical committee meeting and for each additional physical Board meeting after ten meetings. For 2017, the Chairman's fee was double that of other directors. For the Chairman of the Audit Committee, the fixed annual fee is 70% higher than the fixed annual fee of the other directors. In practice, this means that the fixed annual cash fee of the Chairman of the Audit Committee equals 127,500 Euro.

A proposal will be submitted to the upcoming annual shareholders' meeting to be held on 25 April 2018 to increase the Chairman's fee by 25% (i.e. from 150,000 euro to 187,500 euro) to an amount which is 2.5 times the fixed annual fee of the other directors (other than the Chairman of the Audit Committee). The proposal follows a benchmarking exercise covering over 20 global peer companies, conducted by an independent consulting firm at the request of the Remuneration Committee. The last time that the Chairman's fixed remuneration was revised was by the annual shareholders' meeting held in April 2013. The remuneration of all other Board members will remain unchanged.

**b. Share based remuneration** Before 2014, the Board members of the old Anheuser-Busch InBev (i.e. the company's predecessor prior to the closing of the business combination with SAB) were granted a limited, pre-determined number of warrants under the company's 1999 long-term incentive warrant plan ("LTI Warrant Plan"). The number of warrants granted annually amounted to 15,000 since 2009. Each LTI warrant gave its holder the right to subscribe for one newly issued share. Shares subscribed for upon the exercise of LTI warrants were ordinary shares of the old AB InBev. Holders of such shares had the same rights as any other shareholder. The exercise price of LTI warrants was equal to the average price of our shares on Euronext Brussels during the 30 days preceding their issue date. LTI warrants granted in the years prior to 2007 (except for 2003) had a duration of 10 years. From 2007 onwards (and in 2003) LTI warrants have a duration of 5 years. LTI warrants are subject to a vesting period ranging from one to three years. Forfeiture of a warrant occurs in certain circumstances when the mandate of the holder is terminated.

At the annual shareholders' meeting of the old AB InBev of 30 April 2014, all outstanding LTI warrants have been converted into LTI stock options, i.e. the right to purchase existing shares instead of the right to subscribe to newly issued shares. All other terms and conditions of the outstanding LTI warrants remain unchanged.

The shareholders' meeting of the old AB InBev of 30 April 2014 has also decided to replace the LTI Warrant Plan by a long-term incentive stock option plan for directors and confirmed that all LTI grants to directors will be in the form of stock options on existing shares with the following features:

- an exercise price that is set equal to the market price of the share at the time of granting,
- a maximum lifetime of 10 years and an exercise period that starts after 5 years, and
- the LTI stock options cliff vest after 5 years. Unvested options are subject to specific forfeiture provisions in the event that the directorship is not renewed upon the expiry of its term or is terminated in the course of its term, both due to a breach of duty by the director

In line with this decision, the shareholders' meeting of AB InBev of 26 April 2017 granted each Board member 15,000 LTI stock options. The Chairman of the Board was granted 30,000 LTI stock options and the Chairman of the Audit Committee was granted 25,500 LTI stock options. The LTI stock options have an exercise price of 104.50 Euro per share which is the closing price of the Anheuser-Busch InBev share on the day preceding the grant date, i.e. on 25 April 2017. The LTI stock options have a lifetime of 10 years and cliff vest after 5 years, i.e. on 26 April 2022. In line with the proposed revision of the Chairman's remuneration package (see section 7.1.2 a), a proposal will be submitted to the upcoming annual shareholders' meeting to be held on 25 April 2018 to approve the grant of 37,500 LTI stock options to the Chairman. The share based remuneration of all other Board members will remain unchanged.

Following the completion of the merger between Anheuser-Busch InBev (formerly "Newbelco") and the old AB InBev, that took place on 10 October 2016 in the framework of the combination with SAB, all rights and obligations attached to the outstanding long-term incentive stock options of the old AB InBev, have been automatically transferred to the new AB InBev (the absorbing company), each outstanding stock option giving right to one share of the new AB InBev (the absorbing company) instead of one share of the old AB InBev (the absorbed company).

The company's long-term incentive plan deviates from the Belgian Code on Corporate Governance as it provides for share-based payments to non-executive directors. The Board believes that the successful strategy and sustainable development of the company over the past 10 years demonstrates that the compensation of directors, which includes a fixed number of stock options, does ensure that the independence of the Board members in their role of guidance and control of the company is preserved, and that the directors' interests remain fully aligned with the long-term interests of the shareholders. In particular, the vesting period of the options of 5 years should foster a sustainable and long-term commitment to shareholder value creation.

In accordance with article 554 of the Belgian Companies Code, any grant made under the company's long-term incentive plan is submitted to the shareholders' meeting for prior approval.

The company is prohibited from making loans to directors and members of the EBM, whether for the purpose of exercising options or for any other purpose (except for routine advances for business related expenses in accordance with the company's rules for reimbursement of expenses).

The company does not provide pensions, medical benefits or other benefit programs to directors.

At the time of publication of the report, no changes to the remuneration policy of directors are planned other than the proposed revision of the Chairman's remuneration package.

**7.1.3 Remuneration in 2017** Individual director remuneration is presented in the table below. All amounts presented are gross amounts expressed in Euro before deduction of withholding tax.

	Number of Board meetings attended	Annual fee for Board meetings	Fees for Committee meetings	Total fee	Number of LTI stock options granted <sup>(1)</sup>
Maria Asuncion Aramburuzabala	9	75,000	0	75,000	15,000
Martin J. Barrington <sup>(2)</sup>	8	0	0	0	0
Alexandre Behring	7	75,000	4,500	79,500	15,000
Michele Burns	8	127,500	33,000	160,500	25,500
Paul Cornet de Ways Ruart	9	75,000	0	75,000	15,000
Stéfan Descheemaeker	9	75,000	6,000	81,000	15,000
Grégoire de Spoelberch	8	75,000	7,500	82,500	15,000
William F. Gifford <sup>(2)</sup>	8	0	0	0	0
Olivier Goudet	9	150,000	28,500	178,500	30,000
Paulo Lemann	9	75,000	6,000	81,000	15,000
Alejandro Santo Domingo	9	75,000	0	75,000	15,000
Elio Leoni Sceti	9	75,000	21,000	96,000	15,000
Carlos Alberto da Veiga Sicupira	9	75,000	7,500	82,500	15,000
Marcel Herrmann Telles	9	75,000	30,000	105,000	15,000
Alexandre Van Damme	9	75,000	19,500	94,500	15,000
<b>All directors as a group</b>		<b>1,102,500</b>	<b>163,500</b>	<b>1,266,000</b>	<b>220,500</b>

<sup>(1)</sup>LTI stock options were granted on 26 April 2017. They have an exercise price of 104.50 Euro per share, have a term of 10 years and cliff vest after 5 years.

<sup>(2)</sup>Mr Barrington and Mr Gifford have waived their entitlement to any type of remuneration, including long term incentive stock options, relating to the exercise of their mandate in 2017.

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**7.1.4 Options owned by directors** The table below sets forth, for each of our current directors, the number of LTI stock options they owned as of 31 December 2017<sup>(1) (2)</sup>.

	LTI 25	LTI 24	LTI 23	LTI 22	LTI 21	LTI 20	
Grant date	26 April 2017	27 April 2016	29 April 2015	30 April 2014	24 April 2013	25 April 2012	
Expiry date	25 April 2027	26 April 2026	28 April 2025	29 April 2024	23 April 2018	24 April 2017	
Maria Asuncion Aramburuzabala	15,000	15,000	15,000	0	0	0	45,000
Martin J. Barrington <sup>(3)</sup>	0	0	0	0	0	0	0
Alex Behring	15,000	15,000	15,000	0	0	0	45,000
Michele Burns	25,500	25,500	0	0	0	0	51,000
Paul Cornet de Ways Ruat	15,000	15,000	15,000	15,000	15,000	0	75,000
Stéfan Descheemaeker	15,000	15,000	15,000	15,000	0	0	60,000
Grégoire de Spoelberch	15,000	15,000	15,000	15,000	0	0	60,000
William F. Gifford <sup>(3)</sup>	0	0	0	0	0	0	0
Olivier Goudet	30,000	30,000	25,500	20,000	20,000	0	125,500
Paulo Lemann	15,000	15,000	15,000	0	0	0	45,000
Alejandro Santo Domingo	15,000	0	0	0	0	0	15,000
Elio Leoni Sceti	15,000	15,000	15,000	0	0	0	45,000
Carlos Sicupira	15,000	15,000	15,000	15,000	15,000	0	75,000
Marcel Telles	15,000	15,000	15,000	15,000	15,000	0	75,000
Alexandre Van Damme	15,000	15,000	15,000	15,000	0	0	60,000
<b>Strike price (Euro)</b>	<b>104.50</b>	<b>113.25</b>	<b>113.10</b>	<b>80.83</b>	<b>76.20</b>	<b>54.71</b>	

<sup>(1)</sup>At the annual shareholders' meeting of 30 April 2014, all outstanding LTI warrants were converted into LTI stock options, i.e. the right to purchase existing ordinary shares instead of the right to subscribe to newly issued shares. All other terms and conditions of the outstanding LTI warrants remained unchanged.

<sup>(2)</sup>In March 2017, Olivier Goudet, Paul Cornet and Stéfan Descheemaeker each exercised 15,000 options of the LTI 20 Series that expired in April 2017. In March 2017, Stéfan Descheemaeker exercised 15,000 options of the LTI 21 Series. In April 2017, Carlos Sicupira and Marcel Telles each exercised 15,000 options of the LTI 20 Series that expired in April 2017. In May 2017, Grégoire de Spoelberch exercised 15,000 options of the LTI 21 Series. In December 2017, Alexandre Van Damme exercised 15,000 options of the LTI 21 Series.

<sup>(3)</sup>Mr Barrington and Mr Gifford have waived their entitlement to any type of remuneration, including long term incentive stock options, relating to the exercise of their mandate in 2017.

## 7.2. Remuneration of Executive Board of Management

*Except as provided otherwise, the information in this section relates to the Executive Board of Management (EBM) as at 1 January 2018*

**7.2.1 Procedure for developing the remuneration policy and determining the individual remuneration** The compensation and reward programs for the EBM are overseen by the Remuneration Committee which is exclusively composed of non-executive directors. It submits to the Board for approval recommendations on the compensation of the CEO and, upon recommendation of the CEO, of the EBM.

The Nomination Committee approves the company and individual annual targets and the Remuneration Committee approves the target achievement and corresponding annual and long-term incentives of members of the EBM.

The remuneration policy and hence any schemes falling within its scope which grant shares or rights to acquire shares, are submitted to the shareholders' meeting for approval.

The composition, functioning and specific responsibilities of the Remuneration Committee and of the Nomination Committee are set forth in the terms of reference of the respective Committee, which are part of our Corporate Governance Charter.

**7.2.2. Remuneration policy** Our compensation system is designed to support our high-performance culture and the creation of long-term sustainable value for our shareholders. The goal of the system is to reward executives with market-leading compensation, which is conditional upon both the overall success of the company and individual performance. It ensures alignment with shareholders' interests by strongly encouraging executive ownership of shares in the company and enables to attract and retain the best talent at global levels.

Base salaries are aligned to mid-market levels. Additional short- and long-term incentives are linked to challenging short- and long-term performance targets and the investment of part or all of any variable compensation earned in company shares is encouraged.

The Board may revise the level of remuneration and approve a revised remuneration policy upon recommendation of the Remuneration Committee. At the time of publication of this report, no changes to the remuneration policies for executives are planned.

**7.2.3. Components of executive remuneration** Executive remuneration generally consists of (a) a fixed base salary, (b) variable performance-related compensation, (c) long-term incentive stock options, (d) retirement plan contributions and (e) other components. All amounts shown below are gross amounts before deduction of withholding taxes and social security.

**a. Base Salary** In order to ensure alignment with market practice, executives' base salaries are reviewed overall against benchmarks. These benchmarks are collected by internationally recognized compensation consultants, in relevant industries and geographies. For benchmarking, a custom sample of Fast Moving Consumer Goods peer companies (Peer Group) is used when available. The Peer Group includes Apple, Coca-Cola Company, Procter & Gamble, PepsiCo and Unilever.

If Peer Group data are not available for a given role, Fortune 100 companies' data are used.

Executives' base salaries are intended to be aligned to mid-market levels for the appropriate market. Mid-market means that for a similar job in the market, 50% of companies in that market pay more and 50% of companies pay less. Executives' total compensation is intended to be 10% above the 3rd quartile.

In 2017, based on his employment contract, the CEO earned a fixed annual salary of 1.45 million Euro (USD 1.64 million), while the other members of the EBM earned an aggregate annual base salary of 10.64 million Euro (USD 12.02 million).

**b. Variable performance-related compensation – Share-based compensation plan** Variable performance-related compensation is key to the company's compensation system and is aimed at rewarding executives' short- and long-term performance.

The target variable compensation is expressed as a percentage of the Market Reference Salary applicable to the executive. The on-target bonus percentage theoretically amounts to maximum 200% of the Market Reference Salary for members of the EBM and 340% for the CEO. An additional incentive of 20% on the bonus amount may be awarded by the Remuneration Committee in case of overachievement or other exceptional circumstances.

The effective pay-out of variable compensation is directly correlated with performance, i.e. linked to the achievement of total company, business unit and individual targets, all of which are based on performance metrics.

Company and business unit targets focus to achieve a balance of top line growth and cash flow generation.

Below a hurdle of achievement for total company and business unit targets, no variable compensation is earned irrespective of personal target achievement.

In addition, the final individual bonus pay-out percentage also depends on each executive's personal achievement of their individual performance targets. Individual performance targets of the CEO and the EBM may consist of financial and non-financial targets such as sustainability and other elements of corporate social responsibility as well as compliance/ethics related targets. Typical performance measures in this area can relate to employee engagement, talent pipeline, better world goals, compliance dashboards etc. that are also important for the sustainability of the financial performance.

Targets achievement is assessed by the Remuneration Committee on the basis of accounting and financial data.

For 2017, based on the company's target achievement during the year 2017 and the executives' individual target achievement, the total variable compensation for the EBM, including the CEO, effectively amounted to approximately 201% of their 2017 base salary.

Executives receive their variable compensation in cash but are encouraged to invest some or all of its value in company shares to be held for a 5-year period (the "Voluntary Shares"). Such voluntary investment leads to a 10% discount and a company shares match of 3 matching shares for each share voluntarily invested (the "Matching Shares") up to a limited total percentage of each executive's variable compensation. The percentage of the variable compensation that can be invested in voluntary shares is 60% for the CEO and for members of the EBM.

Voluntary Shares are:

- existing ordinary shares,
- entitled to dividends paid as from the date of grant,
- subject to a lock-up period of five years, and
- granted at market price. The discount is at discretion of the Board. Currently, the discount is 10% which is delivered as restricted stock units, subject to specific restrictions or forfeiture provisions in case of termination of service.

Both the Matching Shares and the discounted shares are delivered in the form of restricted stock units (RSU) and vest after five years. In case of termination of service before the vesting date, special forfeiture rules apply.

No performance conditions apply to the vesting of the restricted stock units. However, restricted stock units will only be granted under the double condition that the executive:

- has earned a variable compensation, which is subject to the successful achievement of total company, business unit and individual performance targets (performance condition), and
- has agreed to reinvest all or part of his/her variable compensation in company shares that are locked for a 5-year period (ownership condition).

The variable compensation is usually paid annually in arrears after the publication of the company's full year results. Exceptionally, the variable compensation may be paid out semi-annually at the discretion of the Board based on the achievement of semi-annual targets. In such case, the first half of the variable compensation is paid immediately after publication of the half year results and the second half of the variable compensation is paid after publication of the full year results. The variable compensation for 2017 will be paid in or around March 2018.

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In accordance with the authorization granted in the company's bylaws, as amended by the shareholders' meeting of 26 April 2011, the variable compensation system partly deviates from article 520ter of the Belgian Companies Code, as it allows:

- 1 for the variable remuneration to be paid out based on the achievement of annual targets without staggering its grant or payment over a 3-year period. However, executives are encouraged to invest some or all of their variable compensation in company shares which are blocked for 5 years (the "Voluntary Shares") Such voluntary investment also leads to a grant of Matching Shares in the form of restricted stock units which only vest after 5 years, ensuring sustainable long-term performance
- 2 for the Voluntary Shares granted under the share based compensation plan to vest at their grant, instead of applying a vesting period of minimum 3 years Nonetheless, as indicated above, the Voluntary Shares remain blocked for 5 years. On the other hand, any Matching Shares that are granted, will only vest after 5 years

### **Variable compensation for performance in 2016 – Paid in March 2017**

For the year 2016, the CEO earned no variable compensation The other members of the EBM earned aggregate variable compensation of 2.3 million Euro (USD 2.5 million)

The amount of variable compensation is based on the company's performance during the year 2016 and the executives' individual target achievement Because performance targets for 2016 were not met, the CEO and most of his management team received zero variable compensation. Any variable compensation was paid in March 2017

The following table sets forth information regarding the number of our shares voluntarily acquired and Matching Shares granted in March 2017 (variable compensation awarded for performance in 2016) to our CEO and the other members of our EBM as at 1 January 2017 under the Share-based compensation plan The Matching Shares were granted in the form of restricted stock units and vest after five years, on 3 March 2022

Name	Voluntary Shares acquired	Matching Shares granted
Carlos Brito – CEO	0	0
David Almeida	0	0
Claudio Braz Ferro	0	0
Sabine Chalmers	0	0
Jan Craps	113	817
Felipe Dutra	0	0
Michel Doukeris	0	0
Pedro Earp	2,627	12,137
Claudio Garcia	0	0
Jean Jereissati	0	0
David Kamenetzky	0	0
Peter Kraemer	443	1,661
Mauricio Leyva	0	0
Carlos Lisboa <sup>(1)</sup>	0	0
Stuart MacFarlane	4,922	21,814
Tony Milikin	0	0
Ricardo Moreira	101	730
João Castro Neves	0	0
Miguel Patricio	0	0
Bernardo Pinto Paiva <sup>(1)</sup>	0	0
Ricardo Tadeu	559	4,044

<sup>(1)</sup>Bernardo Pinto Paiva, Zone President Latin America North, reported to the Board of Directors of Ambev He and Carlos Lisboa, Zone President Latin America South, participated in 2016 in the incentive plans of Ambev S.A. that are disclosed separately by Ambev

### **Variable compensation for performance in 2017**

For the year 2017, the CEO earned variable compensation of 5.10 million Euro (USD 5.77 million) The other members of the EBM earned aggregate variable compensation of 19.24 million Euro (USD 21.74 million).

The amount of variable compensation is based on the company's performance during the year 2017 and the executives' individual target achievement The variable compensation will be paid in or around March 2018

### **c. Long-term incentive stock options**

#### **Annual long-term incentive stock options**

Members of our senior management may be eligible for an annual long-term incentive paid out in stock options (or similar share related instrument), depending on management's assessment of the beneficiary's performance and future potential



Long-term incentive stock options have the following features:

- an exercise price that is set equal to the market price of the share at the time of grant,
- a maximum lifetime of 10 years and an exercise period that starts after 5 years,
- upon exercise, each option entitles the option holder to purchase one share,
- the options cliff vest after 5 years. In the case of termination of service before the vesting date, special forfeiture rules will apply

The following table sets forth information regarding the number of options granted to the CEO and the other members of the EBM on 20 January 2017 (having an exercise price of 98.85 Euro) and on 22 January 2018 (having an exercise price of 94.36 Euro)

Name	Long Term Incentive stock options granted on 20 January 2017	Long Term Incentive stock options granted on 22 January 2018
Carlos Brito – CEO	396,266	359,606
David Almeida	29,137	55,527
John Blood (as from 1 August 2017)	n/a	21,153
Sabine Chalmers (until 31 July 2017)	0	n/a
Jan Craps <sup>(1)</sup>	0	39,662
Michel Doukeris	46,619	69,806
Felipe Dutra	125,873	158,650
Pedro Earp <sup>(4)</sup>	0	0
Claudio Braz Ferro (until 31 January 2018)	0	n/a
Claudio Garcia (until 31 December 2017)	0	n/a
Jean Jereissati	17,323 <sup>(2)</sup>	26,441
David Kamenetzky	0	52,883
Peter Kraemer	29,137	37,018
Mauricio Leyva	280,909 <sup>(3)</sup>	26,441
Carlos Lisboa <sup>(1)</sup>	0	0
Stuart MacFarlane	41,957	63,460
Tony Milikin	43,705	55,527
Ricardo Moreira	17,323 <sup>(2)</sup>	31,730
João Castro Neves (until 31 December 2017)	125,873	n/a
Miguel Patricio	69,929	0
Bernardo Pinto Paiva <sup>(1)</sup>	0	0
Ricardo Tadeu	34,964	79,325

<sup>(1)</sup>Bernardo Pinto Paiva, Zone President Latin America North, reported to the Board of Directors of Ambev. He participated in 2016 and 2017 in the incentive plans of Ambev S.A. that are disclosed separately by Ambev. Similarly, Jan Craps participated in 2016 in the incentive plans of Ambev S.A. since he was an executive of Labatt, which is a subsidiary of Ambev S.A. Likewise, Carlos Lisboa, Zone President Latin America South, participated in 2017 in the incentive plans of Ambev S.A.

<sup>(2)</sup>The options were granted on 1 December 2016, have an exercise price of 98.04 Euro and become exercisable after five years.

<sup>(3)</sup>Out of these, 19,203 options were granted on 20 January 2017 (having an exercise price of 98.85 Euro) and 261,706 options were granted on 5 May 2017 (having an exercise price of 109.10 Euro).

<sup>(4)</sup>Pedro Earp, Chief Disruptive Growth Officer, participates in the Performance related incentive plan for Disruptive Growth Function (see section 7.2.3 g. below).

#### Exceptional long-term incentive stock options

a) *2020 Incentive Plan*: on 22 December 2015, 4.7 million options were granted to a select group of approximately 65 members of the senior management of the company, who are considered to be instrumental to help the company to achieve its ambitious growth target.

Each option gives the grantee the right to purchase one existing share. The exercise price of the options is 113.00 Euro which corresponds to the closing share price on the day preceding the grant date. The options have a duration of 10 years as from granting and vest after 5 years. The options only become exercisable provided a performance test is met by AB InBev. This performance test is based on a net revenue amount which must be achieved by 2022 at the latest.

No stock options were granted to members of the EBM at the time of grant.

b) *Integration Incentive Plan*: on 15 December 2016, 13.17 million options were granted to a select group of approximately 300 members of the senior management of the company considering the significant contribution that these employees can make to the success of the company and the achievement of integration benefits.

Each option gives the grantee the right to purchase one existing AB InBev share. The exercise price of the options granted on 15 December 2016 is 97.99 Euro which corresponds to the closing share price on the day preceding the grant date.

The options have a duration of 10 years from grant and vest on 1 January 2022 and only become exercisable provided a performance test is met by Anheuser-Busch InBev. This performance test is based on an EBITDA compounded annual growth rate target and may be complemented by additional country or Zone specific or function specific targets. 100% of the options will become exercisable if the performance test is achieved by 31 December 2019, 90% of the options will become exercisable if the performance test is achieved by 31 December 2020 and 80% of the

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options will become exercisable if the performance test is achieved by 31 December 2021. Specific forfeiture rules apply if the employee leaves the company before the performance test achievement or vesting date.

No stock options were granted to members of the EBM at the time of the grant on 15 December 2016.

Throughout 2017, 6.47 million additional options were granted under the Integration Incentive Plan, having an exercise price corresponding to the closing share price on the day preceding the relevant grant date. Out of these 6.47 million options, 1,701,090 options were granted on 5 May 2017 to the following members of the EBM, having an exercise price of 109.10 Euro (corresponding to the closing share price on the day preceding the grant date):

Name	Integration Incentive stock options granted
David Almeida	261,706
Jan Craps	261,706
Claudio Braz Ferro	130,853
Tony Millikin	261,706
Ricardo Moreira	261,706
Ricardo Tadeu	523,413

c) *Incentive Plan for SAB employees:* on 15 December 2016, 1.43 million options were granted to employees of former SAB. The grant results from the commitment that AB InBev has made under the terms of the combination with SAB, that it would, for at least one year, preserve the terms and conditions for employment of all employees that remain with the Group.

Each option gives the grantee the right to purchase one existing AB InBev share. The exercise price of the options is 97.99 Euro which corresponds to the closing share price on the day preceding the grant date.

The options have a duration of 10 years as from granting and vest after 3 years. Specific forfeiture rules apply if the employee leaves the company before the vesting date.

Throughout 2017, 0.77 million additional options were granted under the Incentive Plan for SAB employees, having an exercise price corresponding to the closing share price on the day preceding the relevant grant date.

No stock options were granted to members of the EBM under this plan.

d) *Long Run Stock Options Incentive Plan:* on 1 December 2017, 18.02 million stock options were granted to a select group of approximately 50 members of our senior management, including a number of members of our EBM, under a new long term special incentive Plan to incentivize and retain senior leaders who are considered to be instrumental in achieving our ambitious long-term growth agenda over the next 10 years.

Each option gives the grantee the right to purchase one existing share. The exercise price of the options is 96.70 Euro which corresponds to the closing share price on the day preceding the grant date. The options have a duration of 15 years as from granting and vest after 10 years (on 1 January 2028). The options only become exercisable provided a performance test is met by Anheuser-Busch InBev. This performance test is based on an organic EBITDA compounded annual growth rate target which must be achieved by 31 December 2024 at the latest. Specific forfeiture rules apply if the employee leaves the company before the performance test achievement or vesting date.

The following table lists the members of the EBM to whom options have been granted under the Long Run Stock Options Incentive Plan.

Name	Long Run Stock Options Incentive granted
David Almeida	500,626
John Blood	500,626
Jan Craps	500,626
Michel Doukeris	1,001,252
Felipe Dutra	1,001,252
Pedro Earp	500,626
Jean Jereissati	500,626
Carlos Lisboa	500,626
Bernardo Pinto Paiva	1,001,252
Ricardo Tadeu	1,001,252

d. **Long-term restricted stock unit programs** Anheuser-Busch InBev has in place three specific long-term restricted stock unit programs:

1. A program allowing for the offer of restricted stock units to certain members of our senior management in certain specific circumstances. Such hardship grants are made at the discretion of the CEO, e.g. to compensate for assignments of expatriates in certain limited countries.

The characteristics of the restricted stock units are identical to the characteristics of the Matching Shares that are granted as part of the Share-based compensation plan (see 7.2.3 b). The restricted stock units vest after five years and in case of termination of service before the vesting date, special forfeiture rules apply.

During the reporting period in 2017, 0.08 million restricted stock units were granted under the program to our senior management. No restricted stock units were granted under the program to members of the EBM.

2. A program allowing for the exceptional offer of restricted stock units to certain members of senior management at the discretion of the Remuneration Committee as a long-term retention incentive for key managers of the company.

Members of senior management eligible to receive a grant under the program receive 2 series of restricted stock units. The first half of the restricted stock units vest after five years. The second half of the restricted stock units vest after 10 years. In case of termination of service before the vesting date, special forfeiture rules apply. As of 2017, instead of restricted stock units, stock options may be granted under the program with similar vesting and forfeiture rules.

During the reporting period in 2017, 751,406 stock options were granted under the program to David Kamenetzky, a member of the EBM.

3. A program allowing certain employees to purchase company shares at a discount aimed as a long-term retention incentive for (i) high-potential employees of the company, who are at a mid-manager level ("People bet share purchase program") or (ii) for newly hired employees. The voluntary investment in company shares leads to the grant of 3 matching shares for each share invested. The discount and matching shares are granted in the form of restricted stock units which vest after 5 years. In case of termination before the vesting date, special forfeiture rules apply. Beginning in 2016, instead of restricted stock units, stock options may also be granted under this program with similar vesting and forfeiture rules.

During the reporting period in 2017, our employees purchased 0.05 million shares under the program. Out of these, 41,941 shares were acquired by David Kamenetzky, a member of the EBM.

**e. Exchange of share-ownership program** From time to time certain members of Ambev's senior management are transferred to Anheuser-Busch InBev and vice-versa. In order to encourage management mobility and ensure that the interests of these managers are fully aligned with AB InBev's interests, the Board has approved a program that aims at facilitating the exchange by these managers of their Ambev shares into AB InBev shares.

Under the program, the Ambev shares can be exchanged into Anheuser-Busch InBev shares based on the average share price of both the Ambev and the AB InBev shares on the date the exchange is requested. A discount of 16.66% is granted in exchange for a 5-year lock-up period for the shares and provided that the manager remains in service during this period. The discounted shares are forfeited in case of termination of service before the end of the 5-year lock-up period.

Under the program, members of our senior management have exchanged 0.95 million Ambev shares for a total of 0.06 million AB InBev shares in 2017.

**f. Programs for maintaining consistency of benefits granted and for encouraging global mobility of executives** Two programs which are aimed at maintaining consistency of benefits granted to executives and at encouraging the international mobility of executives while complying with all legal and tax obligations are in place:

1. The Exchange program: under this program the vesting and transferability restrictions of the Series A options granted under the November 2008 Exceptional Option Grant and of the options granted under the April 2009 Exceptional Option Grant, could be released e.g. for executives who moved to the United States. These executives were then offered the possibility to exchange their options for ordinary Anheuser-Busch InBev shares that remain locked-up until 31 December 2018 (5 years longer than the original lock-up period).

Since the Series A options granted under the November 2008 Exceptional Option Grant and the options granted under the April 2009 Exceptional Option Grant have vested on 1 January 2014, the Exchange program is no longer relevant for these options. Instead, the Exchange program has now become applicable to the Series B options granted under the November 2008 Exceptional Option Grant. Under the extended program, executives who are relocated e.g. to the United States, can be offered the possibility to exchange their Series B options for ordinary Anheuser-Busch shares that, in principle, remain locked-up until 31 December 2023 (5 years longer than the original lock-up period).

In 2017, no exchanges were executed under this program.

As a variant to this program, the Board also approved the recommendation of the Remuneration Committee to allow the early release of the vesting conditions of the Series B options granted under the November 2008 Exceptional Option Grant for executives who are relocated, e.g. to the United States. The shares that result from the exercise of the options must, in principle, remain blocked until 31 December 2023.

Under this variant to the program, members of the senior management have exercised 295,370 options under this variant to the program. No members of the EBM have participated to this program.

2. The Dividend waiver program: where applicable, the dividend protection feature of the outstanding options owned by executives who move to the US is being cancelled. In order to compensate for the economic loss which results from this cancellation, a number of new options is granted to these executives with a value equal to this economic loss. The new options have a strike price equal to the share price on the day preceding the grant date of the options. All other terms and conditions, in particular with respect to vesting, exercise limitations and forfeiture rules of the new options are identical to the outstanding options for which the dividend protection feature is cancelled. As a consequence, the grant of these new options does not result in the grant of any additional economic benefit to the executives concerned.

In 2017, no options were granted under this program.

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The Board has also approved the early release of vesting conditions of unvested stock options or restricted stock units which are vesting within 6 months of the executives' relocation. The shares that result from the early exercise of the options or the early vesting of the restricted stock units must remain blocked until the end of the initial vesting period. In 2017, the vesting of 0.01 million stock options and restricted stock units was accelerated under this program for other members of the senior management. No members of the EBM have participated to this program.

**g. Performance related incentive plan for Disruptive Growth Function** The company has implemented a performance related incentive plan which substitutes the long-term incentive stock option plan for executives of the Disruptive Growth Function, called ZX Ventures. This function was created to accelerate new business development opportunities, focusing on initiatives in e-commerce, mobile, craft and branded experiences such as brew pubs and is headed by Pedro Earp, Chief Disruptive Growth Officer.

The incentive plan, which is inspired from compensation models in technology and start-up businesses, aims at specifically linking the compensation to the value creation and success of the disruptive growth business within the company.

Executives are granted performance units whose value will depend on the internal rate of return (IRR) of their business area. The units vest after 5 years provided a performance test is met, based on a minimal growth rate of the IRR. At vesting, the performance units may be settled in cash or in ordinary shares of the company. Specific forfeiture rules apply in case the executive leaves the company.

During the reporting period in 2017, 1.96 million performance units were granted to senior management under this program. Out of these, 182,071 performance units were granted to Pedro Earp, member of the EBM.

**h. Pension schemes** Our executives participate in Anheuser-Busch InBev's pension schemes in either the US, Belgium or their home country. These schemes are in line with predominant market practices in the respective countries. They may be defined benefit plans or defined contribution plans.

The CEO participates in a defined contribution plan. The annual contribution that is paid to his plan amounted to approximately USD 0.23 million in 2017. The contributions for the other members of the EBM amounted to approximately USD 0.59 million in 2017.

**i. Other benefits** Executives are also entitled to life and medical insurance and perquisites and other benefits that are competitive with market practices.

**7.2.4 Main contractual terms and conditions of employment of members of the Executive Board of Management (EBM)** The terms and conditions of employment of the members of the EBM are included in individual employment agreements. Executives are also required to comply with the company's policies and codes such as the Code of Business Conduct and Code of Dealing and are subject to exclusivity, confidentiality and non-compete obligations.

The agreement typically provides that the executive's eligibility for payment of variable compensation is determined exclusively on the basis of the achievement of company and individual targets set by the company. The specific conditions and modalities of the variable compensation are fixed separately by the company and approved by the Remuneration Committee.

Termination arrangements are in line with legal requirements and/or jurisprudential practice. The termination arrangements for the EBM provide for a termination indemnity of 12 months of remuneration including variable compensation in case of termination without cause. The variable compensation for purposes of the termination indemnity shall be calculated as the average of the variable compensation paid to the executive for the last two years of employment prior to the year of termination. In addition, if the company decides to impose upon the executive a non-compete restriction of 12 months, the executive shall be entitled to receive an additional indemnity of six months.

In 2017, Luiz Fernando Edmond (former Chief Sales Officer), Marcio Froes (former Zone President Latin America South) and Sabine Chalmers (former Chief Legal Officer), left the company. They were granted a termination indemnity that corresponds to 12 months of their base salary and an amount corresponding to the average of the variable compensation paid for the last two years.

Likewise, in the first quarter of 2018, Claudio Braz Ferro (former Chief Supply Integration Officer) and Claudio Garcia (former Chief People Officer) left the company. They were granted a termination indemnity that corresponds to 12 months of their base salary and an amount corresponding to the average of the variable compensation paid for the last two years.

Carlos Brito was appointed to serve as the CEO starting as of 1 March 2006. In the event of termination of his employment other than on the grounds of serious cause, the CEO is entitled to a termination indemnity of 12 months of remuneration including variable compensation as described above.

There is no "claw-back" provision in case of misstated financial statements.

7.2.5. *Options owned by members of the Executive Board of Management\** The tables below set forth the number of Matching options owned by the members of our EBM as of 1 January 2018 under the Share-based compensation plan that was applicable until 2010<sup>(1)</sup>.

	Matching options 2010	Matching options 2009	Matching options 2009	Matching options 2008	Matching options 2007	Matching options 2006
Grant date	05 March 2010	14 August 2009	6 March 2009	3 March 2008	2 April 2007	27 April 2006
Expiry date	04 March 2020	13 August 2019	5 March 2019	2 March 2018	1 April 2017	26 April 2016
EBM <sup>(2)</sup>	0	140,106	80,765	61,974	0	0
Strike price (Euro)	36.52	27.06	20.49	34.34	33.59	24.78

	Matching options 2009 - Dividend Waiver 13 <sup>(3)</sup>	Matching options 2009 - Dividend Waiver 13 <sup>(3)</sup>	Matching options 2008 - Dividend Waiver 13 <sup>(3)</sup>	Matching options 2008 - Dividend Waiver 09 <sup>(3)</sup>	Matching options 2007 - Dividend Waiver 09 <sup>(3)</sup>	Matching options 2006 - Dividend Waiver 09 <sup>(3)</sup>
Grant date	15 May 2013	15 May 2013	15 May 2013	1 December 2009	1 December 2009	1 December 2009
Expiry date	13 August 2019	5 March 2019	2 March 2018	2 March 2018	1 April 2017	26 April 2016
EBM <sup>(2)</sup>	74,869	37,131	49,468	0	0	0
Strike price (Euro)	75.82	75.82	75.82	33.24	33.24	33.24

<sup>(1)</sup> Matching options have the following features

- a an exercise price that is set equal to the market price of the share at the time of grant,
- b a maximum life of 10 years and an exercise period that starts after five years, subject to financial performance conditions to be met at the end of the second, third or fourth year following the grant,
- c upon exercise, each option entitles the option holder to subscribe one share,
- d specific restrictions or forfeiture provisions apply in case of termination of service

<sup>(2)</sup> Options granted under the Dividend waiver program (see 7.2.3 f)

<sup>(3)</sup> No options were exercised in 2017

The table below sets forth the number of LTI stock options owned by the members of our EBM as of 1 January 2018 under the 2009 Long term incentive stock option plan (see 7.2.3 c)

	LTI options	LTI options	LTI options	LTI options	LTI options	LTI options	LTI options
Grant date	18 Dec 2009	30 Nov 2010	30 Nov 2011	30 Nov 2012	02 Dec 2013	01 Dec 2014	01 Dec 2015
Expiry date	17 Dec 2019	29 Nov 2020	29 Nov 2021	29 Nov 2022	01 Dec 2023	30 Nov 2024	30 Nov 2025
EBM <sup>(1)</sup>	358,938	583,640	628,661	921,923	759,367	591,864	65,747
Strike Price (Euro)	35.90	42.41	44.00	66.56	75.15	94.46	121.95

	LTI options	LTI options	LTI options	LTI options	LTI options
Grant date	22 Dec 2015	01 Dec 2016	20 Jan 2017	5 May 2017	22 Jan 2018
Expiry date	21 Dec 2025	30 Nov 2025	19 Jan 2027	19 Jan 2027	21 Jan 2028
EBM <sup>(1)</sup>	938,384	75,897	962,663	261,706	1,077,229
Strike Price (Euro)	113.00	98.04	98.85	109.10	94.36

	LTI options (ADR)	LTI options (ADR)	LTI options (ADR)	LTI options (ADR)	LTI options (ADR)	LTI options (ADR)
Grant date	30 Nov 2010	30 Nov 2011	30 Nov 2012	02 Dec 2013	01 Dec 2014	01 Dec 2015
Expiry date	29 Nov 2020	29 Nov 2021	29 Nov 2022	01 Dec 2023	30 Nov 2024	30 Nov 2025
EBM	21,880	23,257	15,685	12,893	11,473	10,521
Strike price (USD)	56.02	58.44	86.43	102.11	116.99	128.46

<sup>(1)</sup> The following options were exercised in 2017

- a In May 2017
  - i Stuart MacFarlane exercised 17,293 LTI options of 30 November 2010 with a strike price of 42.41 Euro and 11,212 LTI options of 30 November 2011 with a strike price of 44.00 Euro,
- b In December 2017
  - i Stuart MacFarlane exercised 22,989 LTI options of 30 November 2012 with a strike price of 66.56 Euro

\*Following the completion of the merger between Anheuser-Busch InBev (formerly "Newbelco") and the old AB InBev, that took place on 10 October 2016 in the framework of the combination with SAB, all rights and obligations attached to the outstanding stock options of the old AB InBev, have been automatically transferred to Anheuser-Busch InBev (the absorbing company), each outstanding stock option giving right to one share of the new Anheuser-Busch InBev (the absorbing company) instead of one share of the old AB InBev (the absorbed company)

## Corporate governance statement

The table below sets forth the number of options granted under the November 2008 Exceptional Option Grant owned by the members of our EBM as of 1 January 2018<sup>(1)</sup>.

	November 2008 Exceptional Grant options Series A	November 2008 Exceptional Grant options Series B	November 2008 Exceptional Grant options Series A – Dividend Waiver 09	November 2008 Exceptional Grant options Series B – Dividend Waiver 09	November 2008 Exceptional Grant options Series B – Dividend Waiver 11	November 2008 Exceptional Grant options Series B – Dividend Waiver 13
<b>Grant date</b>	25 November 2008	25 November 2008	1 December 2009	1 December 2009	11 July 2011	31 May 2013
<b>Expiry date</b>	24 November 2018	24 November 2023	24 November 2018	24 November 2023	24 November 2023	24 November 2023
<b>EBM<sup>(2)</sup></b>	0	3,976,325	0	1,833,736	243,901	286,977
<b>Strike price (Euro)</b>	10.32	10.32		33.24	40.35	75.82
<b>EBM</b>	0	542,226	0	0	0	0
<b>Strike price (Euro)</b>	10.50	10.50				

<sup>(1)</sup>The Series A stock options have a duration of 10 years as from granting and have vested on 1 January 2014. The Series B stock options have a duration of 15 years as from granting and vest on 1 January 2019. The exercise of the stock options is subject, among other things, to the condition that the company meets a performance test. This performance test, which was met, required the net debt/EBITDA, as defined (adjusted for exceptional items) ratio to fall below 2.5 before 31 December 2013. Specific forfeiture rules apply in the case of termination of employment.

<sup>(2)</sup>No options were exercised in 2017.

The table below sets forth the number of options granted under the 2020 Incentive Plan owned by the members of our EBM as of 1 January 2018 (see 7.2.3.c).

2020 Incentive Stock Options	
<b>Grant date</b>	22 December 2015
<b>Expiry date</b>	22 December 2025
<b>EBM</b>	334,765
<b>Strike price (Euro)</b>	113.00

The table below sets forth the number of options granted under the Integration Incentive Plan owned by the members of our EBM as of 1 January 2018 (see 7.2.3.c).

Integration Incentive Stock Options	
<b>Grant date</b>	5 May 2017
<b>Expiry date</b>	31 December 2026
<b>EBM</b>	1,701,090
<b>Strike price (Euro)</b>	109.10

The table below sets forth the number of options granted under the Long Run Stock Options Incentive Plan owned by the members of our EBM as of 1 January 2018 (see 7.2.3.c).

Long Run Stock Options Incentive Plan	
<b>Grant date</b>	1 December 2017
<b>Expiry date</b>	1 December 2032
<b>EBM</b>	7,008,764
<b>Strike price (Euro)</b>	96.70

The below UK subsidiaries have sought and received a parental guarantee from AB InBev SA/NV under Sections 479A, 394A-C and 448A-C of the UK Companies Act 2006 which has allowed them to be exempt from filing subsidiary audited financial statements. Unaudited financial statements will be filed with the UK Companies House in the course of 2018 except for dormant companies which are exempt from preparing or filing financial statements.

<b><u>COMPANY NAME</u></b>	<b><u>REGISTERED NUMBER</u></b>
AB Inbev (Safari)	04834191
AB Inbev Africa Holdings II Limited	09930929
AB Inbev Africa Holdings Limited	04982953
AB Inbev Africa Investments Limited	04117358
AB Inbev America Holdings Limited	08922107
AB Inbev Asia Holdings Limited	05891508
AB Inbev Australia Holdings Limited	08926994
AB Inbev Capital UK Limited	07466437
AB Inbev Corporate Services Limited	08575040
AB Inbev Finance SA Limited	08924308
AB Inbev Global Business Services Limited	08685907
AB Inbev Harmony Holdings Limited	07906062
AB Inbev Harmony Limited	08296561
AB Inbev Holdings Europe Limited	04763363
AB Inbev Holdings Limited	04185128
AB Inbev Holdings SA Limited	07817960
AB Inbev Holdings SH Limited	07816420
AB Inbev Horizon Limited	06868068
AB InBev International Brands Limited	05511456
AB Inbev SAF Limited	07780722
AB Inbev SI Limited	08924644
AB Inbev Southern Capital Limited	07816628
AB Inbev Southern Investments Limited	05820066
AB InBev UK Finance Company Limited	09492207
AB InBev UK Investment Company Limited	09492211
ABI Australia Beverage Holding Ltd	10394356
ABI Australia Investment Ltd	10395165
ABI Euro Finance Services Limited	10535822
ABI Mexico Holding I Unlimited	10506521
ABI Mexico Holding II Limited	10517930
ABI SAB Group Holding Limited	03528416
ABI Southern Holding Ltd	10394354
ABI Southern Investment Ltd	10394347
ABI UK Holding 1 Limited	10377840
ABI UK Holding 2 Limited	10414368
AFC Finance Limited (in Liquidation)	09852512
ALE Finance Services Limited	10379989
Anglemaster Limited	00072114
Anheuser-Busch Europe Limited	02399274
BFC Finance Limited	09852426
Bourse du Vin Limited	00042015
Brewman Group Limited	00546912
Carlton and United Breweries Holdings (UK) Limited	07543569
DFC Finance Limited (in Liquidation)	09852407

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Dreamgame Limited	01960627
East West Oriental Brewing Company Limited	00027959
FBG Brewery Holdings UK Limited	02565926
FBG Holdings (UK) Limited	02037446
FBG International Limited	00028707
FBG Treasury (UK) Limited	02129189
Foster's Brands Limited	06425007
HFC Finance Limited	09852273
Kangaroo Ridge Wines Europe Limited	00040742
Pilsner Urquell Company Limited	02688496
Pilsner Urquell International Limited	03950016
<del>Private Life (Europe) Limited</del>	<del>10376567</del>
<del>SAB Australia Beverage Holdings LLC</del>	<del>OC369103</del>
SAB Limited	03640804
SABMiller Asia Capital LLP	OC365431
SABMiller Financing Southern LLP	OC369350
The Wine Exchange Limited	00071565
Tibisco Limited	00036973



# Contacts

## Registered office

### Anheuser-Busch InBev

Grand-Place 1  
1000 Brussels  
Belgium

## Global Headquarters - Belgium

### Anheuser-Busch InBev

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3000 Leuven  
Belgium

## Functional Management Office

### Anheuser-Busch InBev

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## Africa

### The South African Breweries

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## Asia Pacific North

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## Asia Pacific South

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## Latin America COPEC

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## Latin America South

### Cerveceria y Malteria Quilmes S.A.I.C.A y G.

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Capital Federal  
Argentina

## Middle Americas

### Grupo Modelo

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Delegación Miguel Hidalgo  
Ciudad de Mexico  
Mexico

## North America

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