BUDWEISER BREWING COMPANY APAC LIMITED
百威亞太控股有限公司

Stock Code: 1876

ANNUAL REPORT 2019

America,
of Beers. Our
distinctively clean,
drinkability.

Contents

Letter to Shareholders

2019 was a historical year for our company. We completed our listing on the Hong Kong Stock Exchange, creating a Pan-Asian platform that allows us to further expand our footprint and attract exceptional talent in the region.

Though we faced industry headwinds in our most relevant markets, we continued to grow revenue as a result of our premiumization strategy across the region. In FY19, our revenue grew by 1.8% while revenue per hl grew by 4.9%. Volume declines of 3.0% were primarily driven by South Korea and China, partially offset by strong volume growth in India and South East Asia.

Our normalized EBITDA grew by 11.0% and normalized EBITDA margin expanded by 271 bps to 32.4%. The growth of our top-line and normalized EBITDA was driven by the strong performance in our APAC West region[1]. The strong growth of normalized EBITDA in APAC West was a result of the ongoing premiumization, disciplined cost control and other operating income, despite volume declines that were mainly due to softness in the China nightlife channel in 2H19 and a difficult comparable in 4Q18. In addition, we continued to lead in e-commerce in China with strong double-digit volume growth in FY19.

Our APAC East region[2] experienced a difficult 2019 with declines in volume, revenue and normalized EBITDA. Our business performance in South Korea was primarily impacted by an overall industry decline due to weaker consumer sentiment,

[1] Comprising China, India, Vietnam and exports elsewhere in APAC

[2] Comprising primarily South Korea, Japan and New Zealand

coupled with competitive pressure. In October 2019, we rolled back our price increase previously implemented in April 2019 to revitalize the domestic beer industry during the economic downturn. Amidst these difficult circumstances, we grew market share in FY19 in the in-home channel according to Nielsen and we estimate that we also grew market share in certain on-premise channels. However, Cass has lost market share in the South Korean restaurant channel, where it is still the prominent leader; the South Korean restaurant channel accounts for approximately a quarter of the market. Overall, this resulted in a total market share loss of approximately 160 bps in FY19, according to our estimates. Our Premium portfolio continued to grow throughout the year, led by Stella Artois and Budweiser.

Overall, we remain excited by the growth potential of the Asia Pacific region. We continue to focus on our commercial strategy and our strong commitment to our communities to deliver sustainable growth for our Shareholders.

Driving premiumization across Asia Pacific

Our High End Company is key to continue growing our leading position in the Premium and Super Premium segments. With our diverse Premium and Super Premium portfolio and strong route to market capabilities, we are very well-positioned to continue driving premiumization across markets. We estimate that during 2019, Budweiser maintained its strong #1 position in Premium and Corona became the #1 brand in Super Premium by volume and revenue in China; in South Korea, our leading Premium and Super Premium portfolio grew volumes by mid-single digits in FY19; in India, after exceeding one million hl in FY18, Budweiser continued to grow by strong double digits in FY19; and in Vietnam, we grew volume by strong double digits driven by the Premium and Super Premium segments, in which we estimate that we are in a top three position.

Letter to Shareholders

In China, our Premium portfolio, led by Budweiser, declined by low single digits in FY19. This was primarily driven by softness in the nightlife channel during 2H19, a channel in which Budweiser is the leading beer brand. We estimate that Budweiser continues to be the number one brand in the Premium segment and we have made additional commercial investments to accelerate the brand's expansion into other channels. According to Nielsen in China, during FY19, we were again the predominant leader in the Premium and Super Premium segments in the in-home channel and have been growing share faster than any other brewer.

In our other key markets (i.e., South Korea, India and Vietnam), our Budweiser football campaign, which leveraged Budweiser's global sponsorships of the English Premier League and Spanish La Liga, connected very well with our consumers and grew Budweiser's volumes by double digits.

Our Super Premium portfolio continued to grow by strong double digits in FY19, led by Corona, Blue Girl and Hoegaarden in China and Stella Artois in South Korea. We see a great opportunity to leverage our unparalleled portfolio of Super Premium brands, consisting of different styles (e.g., lager, wheat, IPA) and heritages (e.g., German, Belgian), to reach more consumers who are seeking unique products above the Premium segment. We continue to invest in our Super Premium brands and specialized route to market capabilities to drive the future growth of this segment.

Differentiating the Core and Core+ segments

We enriched the Core+ segment through different variants of the Harbin brand (e.g., Harbin Ice, Harbin Crystal) in China and introduced the Core+ segment to India through Beck's Ice. In China, we have seen strong growth for Harbin Crystal since its launch in March 2019. We are excited about the future growth in this segment and continue to invest in our local brands and variants (e.g., Sedrin Lychee Beer, King of Wheat, 1900) to expand our Core+ portfolio as consumers continue to trade up into this segment across different regions of the country.

In India, the Beck's Ice "100% Pure Malt, 100% Smooth Taste" campaign, combined with attractive packaging featuring a premium design on a clear glass bottle, resonated very well with consumers. We saw strong volume growth supported by increasing brand equity, and expanded distribution from three states in 2018 to 14 states in 2019.

Creating new consumer experiences and innovative products

As a consumer-focused, insights-driven company, we continue to innovate our products and services to address evolving consumer preferences. We are expanding our reach to consumers seeking differentiated products and experiences through our international and local craft brands (e.g., Goose Island, Boxing Cat, Hand & Malt). In FY19, we opened an additional Boxing Cat pub in Xintiandi Shanghai, China, an additional Goose Island pub in Putian, China, and three more Hand & Malt pubs in Seoul, South Korea, for a total of eight craft pubs in China and six in South Korea. In India, we launched our first craft brand, 7Rivers, and introduced two wheat variant beers to address a growing trend of specialty wheat beers across the country's urban centers. In addition, we entered into an agreement with the Indian Hotels Company Limited (IHCL) in October 2019 with a plan to open 15 microbreweries in the next five years located in the iconic Taj hotels. We are confident that our passion for beer, coupled with our age-old craftsmanship of brewing high quality beer, positions us well to create exciting new offerings for consumers across markets in Asia Pacific.

We leveraged our category expansion framework to launch a non-alcohol beer, Budweiser 0.0, in India, which has been distributed in new channels (e.g., travel retail, e-commerce, airlines, modern trade and general trade). In China and Vietnam, we launched a flavored beer, Hoegaarden Rosée, focused on creating new experiences (e.g., a premium beer garden) for our consumers. It is gaining increasing popularity in co-ed social occasions, fueling incremental growth to the traditional beer drinking occasions in these markets.

Building a sustainable future with our communities

Sustainability is not only part of our business, it is our business. We collaborate with business partners throughout our supply chain to build a sustainable future for the communities in which we work and live. In FY19, we made significant achievements in these initiatives:

Letter to Shareholders

- Smart Agriculture: We continued to support our local farmers and their communities. In 2019, we worked with over 4,000 barley farmers in India, to help them increase the yield, quality and traceability of our barley by leveraging digital solutions and advanced crop management techniques.

- Water Stewardship: In 2019, we implemented innovative technology and process improvements across our breweries to reduce water usage in our breweries by 5%. We also invested in watershed protection programs and increased water availability in high-stress areas across India and China. For example, we are building water harvesting structures, such as check dams, recharge wells and storage ponds, in India to help our communities prepare for the next monsoon season.

- Circular Packaging: In 2019, 56% of our beer volumes were in returnable packaging (e.g., returnable glass bottles). Of the remainder, 46% were made using recycled content. We are leveraging the strong equity of our brands to raise awareness for recycling among our consumers, such as our Corona "Save the Beach" campaign this year to reduce plastic pollution on beaches.

- Climate Action: In 2019, we estimate a reduction of 5.5% kgCO2 per hl compared to our baseline year 2017 on total combined emissions[3]. In addition, 4% of our volumes were produced using renewable electricity. We have installed solar panels at nine of our breweries and are in the process of doing so at three additional breweries. We also partnered with FoQi and FeiChi in China to use a hydrogen-powered truck for beer deliveries in China, the first beer company to use this technology in the country.

Promoting a culture of Smart Drinking

We want every experience with beer to be a positive one. We believe that responsible drinking behaviors benefit consumers, society and our business. We continue to leverage our Pan-Asian platform and partner with the United Nations Institute for Training and Research (UNITAR), international organizations and local authorities to promote smart drinking across Asia Pacific.

In China, we joined the Shanghai Public Security Bureau Traffic Police Brigade to celebrate China's National Traffic Safety Day. At the event, we announced our collaboration with UNITAR to develop digital solutions (e.g., mobile road safety warning app, real-time monitoring of road hazards) to reduce traffic accidents in Shanghai. In addition, we were awarded "Outstanding Socially Responsible Company of the Year" by Xinhua.net, China's official press agency.

[3] The total combined emissions include: Scope 1: Direct emissions including emissions from fuel combustion, process emissions and fugitive GHG emissions (e.g. leaks purchased CO2 in breweries); Scope 2: Indirect emissions associated with the generation of purchased electricity and steam consumed in our sites; Scope 3: Indirect emissions including the following categories: Purchased Goods and Services, Upstream and Downstream Distribution, Use of Product (Product Cooling including on and off premise but excluding home cooling), and End of Life.

In South Korea, we partnered with local stakeholders to implement our Smart Drinking campaigns. For example, we hosted the award ceremony for the "Don't Drink & Drive" program for police staff dedicated to drunk-driving prevention and college events to prevent underage drinking.

In India, we addressed the critical issue of illicit alcohol in partnership with the Transnational Alliance to Combat Illicit Trade. We released a report on the impact of illicit liquor on public health, the economy, politics and state welfare in India and hosted our "#Don'tPegOnPoison" event with key policy makers to raise public awareness of the topic.

Looking forward to celebratory moments in the near future

We finished 2019 with a challenging 4Q19 in China due to a slow recovery in the nightlife channel, even though it was improving gradually month-over-month within the quarter. Subsequently, we had a strong start of the year during the first three weeks of January 2020, supported by our largest Chinese New Year (CNY) campaign ever, until the outbreak of the COVID-19 virus.

The World Health Organization declared the outbreak a "public health emergency of international concern" (PHEIC), affecting many people's lives and their ways of living. The health and safety of our community, our colleagues and business partners are our top priority. We support the government's measures and recommendations (e.g., staying home, avoiding crowds, minimizing gatherings) to contain the spread of the virus. We commend the efforts of health officials on the front lines and around the world who have been combatting the outbreak.

As a company with deep roots in China for over 30 years, we care deeply about the country and its people. We have donated funds and resources to local communities to support the fight against COVID-19 including cash contribution, emergency medical supplies and clean drinking water from Budweiser's Emergency Drinking program. We are committed to supporting our communities in their efforts to combat the virus and win this fight.

As we face the current COVID-19 outbreak, we are becoming even more agile, disciplined and resilient to combat this fight together with our communities. We are committed to support our business partners and consumers through this difficult time and fully engaged to prepare for a strong recovery when the situation improves. We look forward to bringing people together in celebratory moments when our consumers reconnect with family and friends as soon as this crisis is over.

We are committed to further growing our business as a regional champion and creating lasting value for our business partners and stakeholders, by brewing some of the world's most loved beers, building iconic brands and creating meaningful experiences for our consumers and communities. We believe we have the right people, portfolio and strategy in place to deliver long-term, sustainable growth and expand the beer category in the Asia Pacific region. We have been in Asia Pacific for more than 100 years and we aim to thrive for the next 100 years and beyond!

Carlos Brito
Co-Chair of the Board

Jan Craps
Chief Executive Officer and Co-Chair of the Board

Pan-Asian Brewing Champion

On 30 September 2019, Budweiser Brewing Company APAC Limited (Budweiser APAC) was listed on the Hong Kong Stock Exchange under the stock code 1876 – the year that Budweiser was first brewed. As part of the AB InBev Group, we have over 600 years of brewing history, and now we are creating a new history in Asia so we can thrive for the next 100 years and beyond. With our collection of well-loved brands, talented people, operational efficiencies, scale, state-of-the-art facilities and powerful route to market, we are well-positioned for long-term growth and competitiveness.

Sharing our Passion for Beer

With a portfolio of more than 50 brands, we cover more than 35 countries and territories within the region, through production, importation, marketing, distribution or sales. These brands include globally renowned names such as Budweiser, Stella Artois, and Corona, alongside multi-country and local brands such as Hoegaarden from Belgium, Cass in South Korea, Haywards in India, and Harbin in China.

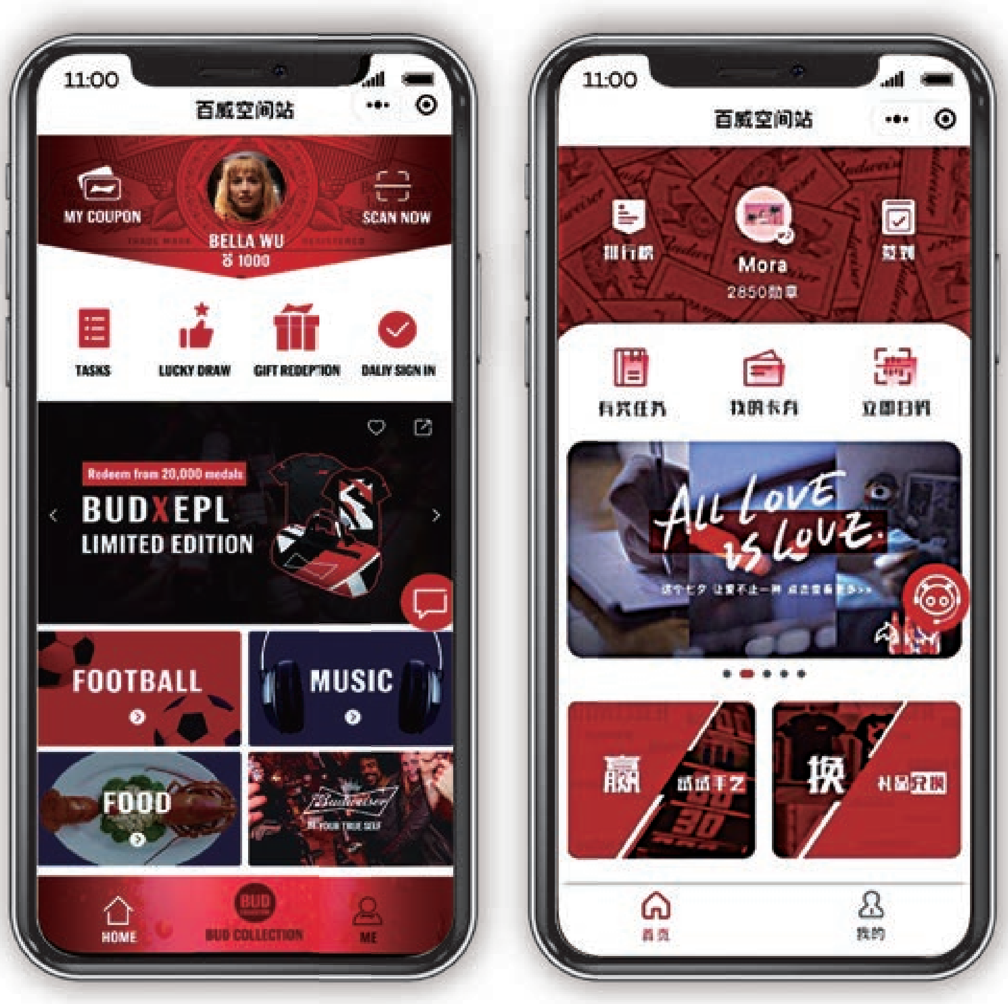
Addressing the Needs of a Diverse Market

Asia has the largest adult population in the world, and booming economies are driving consumption across the region. Asia represents the largest beer geography in the world, and China is the single largest beer market in the world. Our strategic, Pan-Asian platform and unique portfolio of well-loved brands put us in a strong position to anticipate, shape and cater to the needs of legal drinking age consumers across markets at different levels of maturity. When we develop markets, we use our market maturity model. This is a framework that classifies different markets against a maturity level and share of beer. As markets mature, it is expected that beer categories will evolve, which presents an opportunity for us to introduce innovations to drive category growth across different markets based on our understanding of how markets evolve. In Asia, markets vary widely, so we offer products to meet different levels of market maturity to ensure portfolio growth across the world's most dynamic, exciting region.

Digital Transformation

Wherever we go, we lead — especially in our premium beer markets. However, this is not solely based on our impressive brand portfolio. We actively embrace innovation and digital transformation to deal with global change. We have adopted a customer-focused, insight-driven approach to developing product innovations, such as taste, alcohol content, or packaging. These enable us to capitalize on evolving consumer preferences.

Applying in-depth digital technologies across the entire organization is allowing us to connect better with consumers, customers, and our employees, as well as forge new routes to market. This has also improved efficiency and encouraged innovations in our production methods, supply chain management, and overall operations within the Company.



Dreaming Big is in Our DNA

Our Values – 10 Principles

The driving force behind our culture is our 10 Principles. Each is built on ownership, informality, candor transparency and meritocracy. We set ourselves stretched targets and are never completely satisfied with our results.

Dream

1. Our **shared Dream** energizes everyone to work in the same direction: Bringing people together for a better world

People

2. Our **greatest strength is our people**. Great people grow at the pace of their talent and are rewarded accordingly

3. We recruit, develop, and retain people who can be better than ourselves. We will be judged by the **quality of our teams**

Culture

4. We are **never completely satisfied with our results**, which are the fuel of our company. Focus and zero-complacency guarantee lasting competitive advantage

5. The **consumer is the boss**. We serve our consumers by offering brand experiences that play a meaningful role in their lives, and always in a responsible way

6. **We are a company of owners**. Owners take results personally

7. We believe **common sense and simplicity** are usually better guidelines than unnecessary sophistication and complexity

8. We **manage our costs tightly,** to free up resources that will support sustainable and profitable top-line growth

9. **Leadership by personal example** is at the core of our culture. We do what we say

10. We never take shortcuts. **Integrity, hard work, quality, and responsibility** are key to building our company

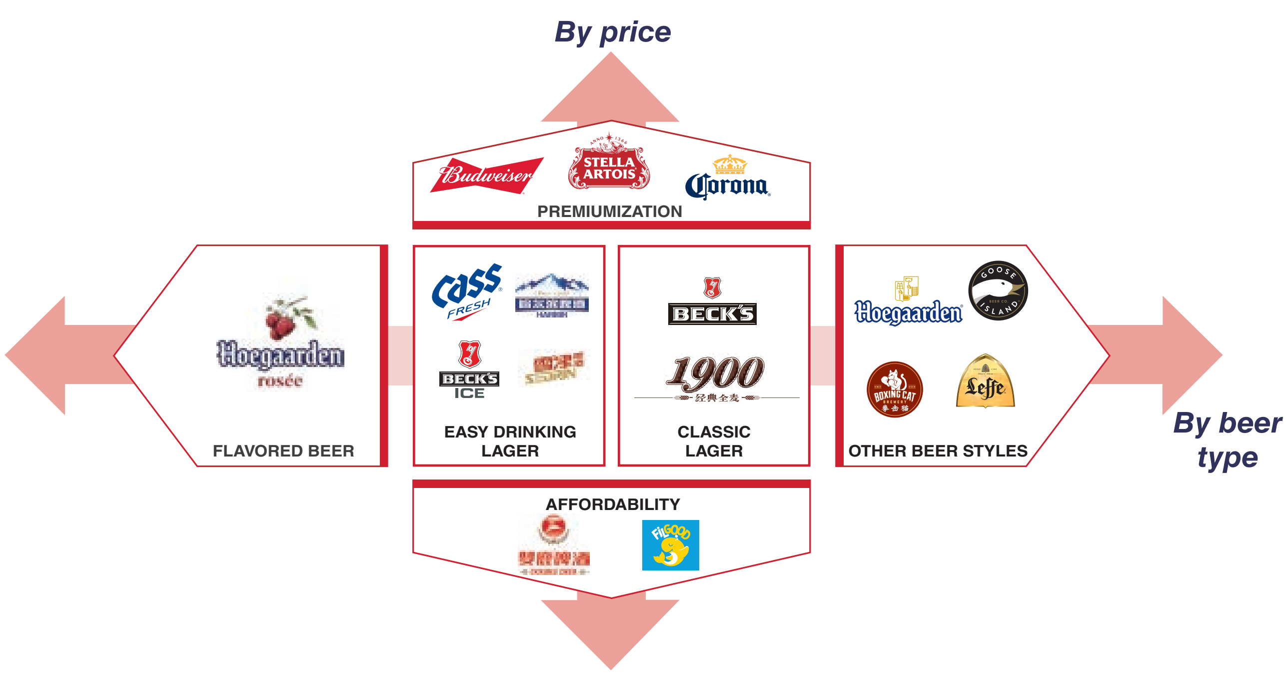
A Brand Portfolio that Drives Growth and Category Expansion

Our broad portfolio of brands allows us to capture opportunities created by the increasing affluence of the Asia-Pacific region. Continued brand innovation and renovation ensures we make the most of these opportunities to drive growth.

We have more than 50 brands in the region. Our globally iconic brands, like Budweiser, Stella Artois, and Corona, remain hugely popular. We offer beer lovers a range of beers, each with its own clearly defined character.

Our story in the Asia-Pacific began over a century ago, and our local beers have a long history. Our Harbin Brewery, which produces the oldest beer brand in China and started fermenting in 1900, and our Oriental Brewery in South Korea, which was established in 1952, are only two examples of how our beers have long been part of the fabric of local life.

Our multi-country brands are also popular in Asia. These include Hoegaarden, Beck's, Franziskaner and Leffe — well-known to many — plus a diverse portfolio of craft beers, such as Goose Island, an acclaimed American craft beer, Boxing Cat, and Hand & Malt. Each one has its own unique



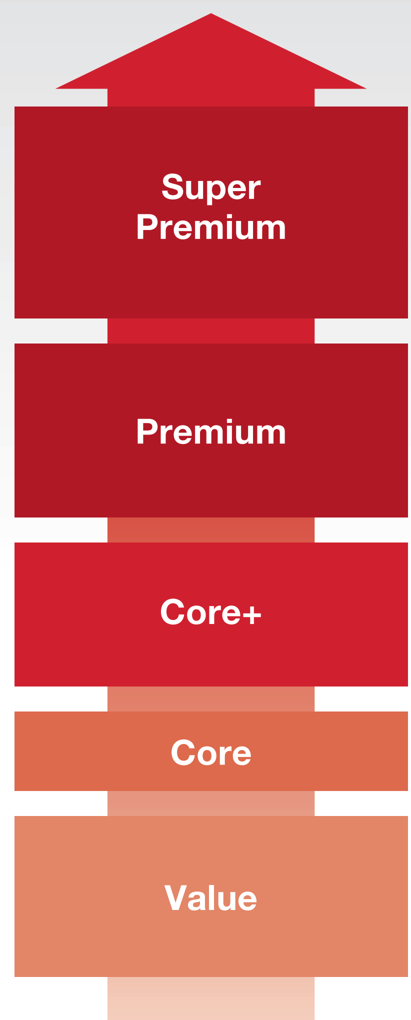
characteristics, and consumers can find something that suits their personal tastes.

We classify our beer into various categories: Super Premium, Premium, Core+, Core and Value brands. Each beer in our portfolio targets different groups of consumers at various price points to achieve category expansion. Each brand is part of a broader growth strategy based on demand for various beers.

We innovate our product offerings because consumer tastes change over time. These now include classic, easy drinking, flavored beer, wheat-style, and ales. Beers of these types also cover the complete price spectrum, from Value to Super Premium.

Leading the Premiumization and Trading-up Trends Across the Region

We are leading the fast growing Premium and Super Premium segments in Asia, with a strong brand portfolio covering different styles and countries of origin. We have created a dedicated, specialized sales organization and developed specific market channels to maintain our lead in the popular "Premium" and "Super-Premium" categories, which we call the "High End Company". With the beer industry's current trend towards premiumization and trading-up, resulting from the increase in affluence in our markets and an upward shift in consumer preferences, innovating new products to excite our consumers is a core ingredient for continuing success.



In for the Long Haul

We take a long-term view with our strategies to ensure that we operate the business in a sustainable way.

Organic Growth through Four Commercial Strategic Pillars:

1. **Premiumize at Scale**
   Accelerating Our Premiumization Strategy Across Markets
2. **Differentiate the Core**
   Growing in the Core+ and Easy Drinking Categories
3. **Growth via Adjacencies**
   Leveraging Our Platform to Expand into Adjacent Categories
4. **Commercial Expansion**
   Deploying our Commercial Expansion Model for Existing and New Markets

Expand Our Platform through Inorganic Growth Opportunities:

The Asia Pacific region offers attractive M&A growth opportunities and we are well positioned to forge partnerships to expand our platform in the region. In this way, we can accelerate premiumization of more markets in the region, expand local brands to become Asian champions, while at the same time sharing our scale and best practices in operations and management with our partners.

Shareholder Value Creation:

Generate value for our Shareholders through a minimum dividend payout ratio of 25%.

Investing in the Future of Our Communities

Sustainability is Our Business

Great beer begins with superb natural ingredients. If the environment is not healthy, we cannot brew to the quality our consumers demand. We have made global commitments to smart agriculture, water stewardship, circular packaging, and climate action. We are contributing to a healthy natural environment and helping communities thrive.

Fostering a Culture of Smart Drinking

Every time someone drinks our beer, we want them to have a positive experience and we are committed to responsible drinking and road safety. We have developed Smart Drinking Goals and invest in innovative programs to improve road safety, which are contributing to and aligned with the United Nations' Sustainable Development targets.

2019 KEY FIGURES

Dream-People-Culture

> 28,000 employees

> 25 nationalities represented across the company

40% of our employees are female

Community and Smart Drinking

> 27.8 **million** people engaged in Better World Programs

> 253,000 cans of emergency drinking water donated

> 10,000 colleagues engaged on global Beer Responsible Day

> 103,000 hours of volunteering

Performance

6,546 **million USD** revenue

+11.0% normalized EBITDA organic growth

93,168 thousand hl beer volumes

2.63 **cents USD** final dividend per share

Sustainability

4,000 farmers participated in our SmartBarley program

5% water usage in our breweries decreased in 2019

In 2019, **56%** of our beer volumes were in returnable packaging, and of the remaining, **46%** was made of recycled content

5.5% reduction in KgCO2/hl emission compared to our baseline year 2017

More than **35** Countries and Territories

More than **50** Brands

52 Breweries

53 Distribution Centers

MANAGEMENT DISCUSSION AND ANALYSIS


Budweiser
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Management Discussion and Analysis

To facilitate the understanding of our underlying performance, this section includes organic and normalized numbers.

The term "**organic**" means the financials are analyzed eliminating the impact of changes in currencies on translation of foreign operations and scope changes. "Scope changes" represent the impact of acquisitions and divestitures, the start 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.

Whenever presented in this document, all performance measures (EBITDA, EBIT, profit, tax rate, EPS) are presented on a "**normalized**" basis, which means they are presented before non-recurring items, unless otherwise indicated. Non-recurring items are either income or expenses which do not occur regularly as part of our normal activities. Please refer to Note 7 to the consolidated financial statements for details of the items excluded. They are presented separately because they are important for the understanding of our underlying sustainable performance 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 our performance, but rather should be used in conjunction with the most directly comparable IFRS measures.

Except where otherwise stated, the commentary from revenue to profit from operations before non-recurring items in "Business Review" and "Review of Results of Operations for the Year Ended 31 December 2019 Compared to Year Ended 31 December 2018" below is based on organic growth figures and 2019 results to 2018 results. The percentage change reflects the improvement (or worsening) of results for the period compared to the prior period.

Values in the figures may not add up, due to rounding.

Major Line Items in our Consolidated Performance

The table below sets out our consolidated performance for the years ended 31 December 2019 and 31 December 2018:

Figure 1. Consolidated performance (million USD)

	FY19	FY18	Organic growth
Total volumes (thousand hls)	**93,168**	**96,245**	**-3.0%**
Revenue	**6,546**	**6,740**	**1.8%**
Gross profit	**3,488**	**3,500**	**4.4%**
Gross margin	53.3%	51.9%	133 bps
Normalized EBITDA	**2,121**	**1,994**	**11.0%**
Normalized EBITDA margin	32.4%	29.6%	271 bps
Normalized EBIT	**1,466**	**1,298**	**17.8%**
Normalized EBIT margin	22.4%	19.3%	306 bps
Profit attributable to equity holders of Budweiser APAC	898	958	
Normalized profit attributable to equity holders of Budweiser APAC	**994**	**1,012**	
Earnings per share (cent USD)	7.50	8.29	
Adjusted earnings per share (cent USD)[(1)]	**7.52**	**7.65**	

To facilitate the understanding of our underlying performance and the analyses of organic growth, the following table provides additional information on the calculation of organic growth figures:

Budweiser APAC	FY18	Scope	Currency Translation	Organic Growth	FY19	Organic Growth
Total volumes (thousand hls)	96,245	(178)	-	(2,899)	93,168	-3.0%
Revenue	**6,740**	**–**	**(313)**	**119**	**6,546**	**1.8%**
Cost of sales	(3,240)	5	143	34	(3,058)	1.1%
Gross profit	**3,500**	**5**	**(170)**	**153**	**3,488**	**4.4%**
Normalized EBIT	1,298	10	(75)	233	1,466	17.8%
Normalized EBITDA	**1,994**	**10**	**(104)**	**221**	**2,121**	**11.0%**
Normalized EBITDA margin	29.6%				32.4%	271 bps

Note:

(1) Adjusted EPS calculation uses the total number of Shares issued as of 31 December 2019 (13,220,397,000 Shares).

Management Discussion and Analysis

Business Review

Business Review

Though we faced industry headwinds in our most relevant markets, we continued to grow revenue as a result of our premiumization strategy across the region. In the full year ended 31 December 2019 ("**FY19**"), our revenue grew by 1.8% while revenue per hl grew by 4.9%. Volume declines of 3.0% were primarily driven by South Korea and China, partially offset by strong volume growth in India and South East Asia.

Our normalized EBITDA grew by 11.0% and normalized EBITDA margin expanded by 271 bps to 32.4%. The growth of our top-line and normalized EBITDA was driven by the strong performance in our APAC West region. Our APAC East region experienced a difficult 2019 with declines in volume, revenue and normalized EBITDA.

APAC West

In FY19, our revenue in the APAC West region grew by 3.8%, translating to a 0.4% growth on the reported basis after including currency impacts and scope changes, driven by revenue per hl growth of 6.2% with a volume decline of 2.3%. Normalized EBITDA grew by 19.7% in FY19.

China

Our revenue in China grew by 3.2% driven by revenue per hl growth of 6.4% and a volume decline of 3.0% in FY19. Revenue per hl in China continued to grow as a result of ongoing premiumization, despite Budweiser's volume decline in 2H19 due to continued softness in the nightlife channel. In addition, we faced a difficult comparable in 4Q19 due to a strong performance in volume and normalized EBITDA in 4Q18. During FY19, we estimate we gained market share in every channel; however, our overall market share declined by approximately 50 bps. This was due to the channel mix shift resulting from softness in the nightlife channel, where our portfolio has a leading position.

While we continue to invest in the nightlife channel, we have also allocated additional resources to other occasions (e.g., in-home, e-commerce) and consumer passion points (e.g., sports, food) to balance our performance across channels. According to Nielsen in China, during FY19, we were again the predominant leader in the Premium and Super Premium segments in the in-home channel and have been growing share faster than any other brewer.

Budweiser continues to drive premiumization in China through product innovations (e.g., Budweiser Pulse), collaborations with other international and local premium brands (e.g., Budweiser x Moschino, Budweiser x Shanghai Tang), and innovative product launches in social media and e-commerce channels. These campaigns further elevated Budweiser's brand image and sales conversion. For example, the Budweiser x Moschino crossover campaign resulted in a total of 320 million impressions, with all of the limited-edition items selling out within 20 minutes of the campaign's launch on e-commerce platforms.

Our Super Premium portfolio continued to perform very well with strong double-digit volume growth, led by Corona, Blue Girl and Hoegaarden. After exceeding one million hl in 2018, Corona continued its strong double-digit growth and became the #1 Super Premium brand in 2019. We launched innovative marketing and experiential trade programs to further enrich consumer experiences through online and offline platforms (e.g., Tmall Double-11 "Island & Idol" campaign, "Make Your Winter A Summer" national experiential campaign).

Blue Girl continued to show strong double-digit growth, exceeding one million hl in FY19. It complements our existing classic lager portfolio in the Super Premium segment. With our established route to market for our Super Premium portfolio and dedicated sales and marketing resources through our High End Company, we are very excited about the further growth potential of the Blue Girl brand in China.

We estimate that Hoegaarden is the leading and fastest growing wheat beer in China, which is the largest market for Hoegaarden by revenue worldwide. In May 2019, we successfully launched Hoegaarden Rosée, a variant that is also popular among female consumers and in co-ed social occasions, further contributing to the strong double-digit growth of the Hoegaarden brand family.

In our Core+ portfolio, we continue to offer different variants (e.g., Harbin Ice, Harbin Crystal) for consumers to trade up from the Core and Value segments. Our Harbin brand family connects very well with young, legal drinking age adults through their passion for e-sports, street culture and local pride. We see great potential for future growth of the Harbin brands in the Core+ segment as more consumers trade up in different regions across China. We continue to invest in and innovate this national brand to offer consumers new products and experiences.

We continue to lead in e-commerce with strong double-digit volume growth. During the Double-11 e-commerce campaign in November 2019, the largest e-commerce sales event in China, Budweiser was the #1 brand and Corona, Hoegaarden and Harbin were also among the top five beer brands by retail sales value on both the Tmall and JD platforms. We continue to increase our brand penetration online with packaging innovations exclusive to e-commerce. We provide consumers with a fast delivery service for our products through strong partnerships with "new retail" and "online-to-offline" (O2O) platforms, including Hema, Eleme and Meituan.

In FY19, normalized EBITDA grew by 19.1% with margin expansion of 470 bps. This was a result of strong brand mix, ongoing cost discipline, localization initiatives (e.g., reducing the cost of imports) and other operating income including various incentives and divestment of assets, which helped to offset the declines in the nightlife channel in 2H19, our most profitable channel.

India

Our volumes grew by mid-single digits in FY19, primarily driven by our Premium and Core+ segments. After exceeding one million hl in FY18, Budweiser continued to grow by strong double digits in FY19. We have also focused on actively driving growth through category expansion, with initiatives such as Beck's Ice in Core+, a segment we introduced to consumers in India. Beck's Ice has shown significant volume growth through our expansion to focus regions. In July 2019, we launched Budweiser 0.0, a non-alcohol variant of Budweiser, and have successfully expanded our distribution into additional channels (e.g., travel retail, e-commerce, airlines, modern trade and general trade).

Management Discussion and Analysis

Business Review

APAC East

Our revenue in the APAC East region declined by 5.1%, translating to a 13.6% decline on the reported basis after including currency impacts and scope changes, as a volume decline of 7.2% was slightly offset by revenue per hl growth of 2.3% in FY19. Normalized EBITDA declined by 12.6% in FY19.

South Korea

In FY19, we observed an overall industry decline in South Korea primarily driven by weaker consumer sentiment. We estimate that our lower volumes, especially in 2H19, were predominately driven by the overall industry decline, coupled with competitive pressure. On 21 October 2019, we rolled back our price increase previously implemented in April 2019 to revitalize the domestic beer industry during the economic downturn.

Amidst these difficult circumstances, we grew market share in FY19 in the in-home channel according to Nielsen and we estimate that we also grew market share in certain on-premise channels. However, Cass has lost market share in the South Korean restaurant channel, where it is still the prominent leader; the South Korean restaurant channel accounts for approximately a quarter of the market. Overall, this resulted in a market share loss of approximately 160 bps in FY19, according to our estimates. We also launched an affordability innovation, called Filgood, in the low-malt Happoshu segment. Since its launch in February 2019, Filgood has been consistently growing share month-over-month, resulting in a meaningful share of segment by the end of 2019.

Our Premium and Super Premium portfolio continued to grow in volume and market share, led by Stella Artois and Budweiser. This was mainly a result of the successful English Premier League activation for Budweiser and effective promotions and packaging innovations in targeted channels. FY19 was also a year of bold and creative marketing campaigns focused on cultural insights and relevance. Select campaigns of Stella Artois and Budweiser were awarded as “the best marketing campaigns of the year” by various local media agencies, which helped reinforce and amplify the purpose of our brands to consumers and ultimately led to our mid-single digit volume growth in the Premium and Super Premium segment during the year.

Review of Results of Operations for the Year Ended 31 December 2019 Compared to Year Ended 31 December 2018

The tables below in this section present our results of operations on an organic basis and the related comments are based on organic numbers.

Volumes

Our volumes decreased by 3.0% in FY19, mainly due to a challenging industry and competitive environment in South Korea and softness in the nightlife channel in China.

Our Premium portfolio in China led by Budweiser experienced a low single-digit volume decline in FY19 driven by softness in the nightlife channel, especially in 2H19. However, our Premium portfolio continued to show strong growth in other markets, such as South Korea, Vietnam and India.

Our Super Premium portfolio, led by Corona, Blue Girl, Hoegaarden, and Stella Artois, continued to perform very well with strong double-digit volume growth.

In China, we continue to lead in e-commerce with strong double-digit volume growth in FY19.

Revenue

Our revenue grew by 1.8% in FY19 with revenue per hl growth of 4.9%, primarily driven by ongoing premiumization across markets and supported by revenue management initiatives. Our revenue for 2019 was partly impacted by the developments in volumes discussed above.

Cost of sales

Our cost of sales declined by 1.1% in FY19, translating to a 5.6% decline on the reported basis including currency impacts and scope changes, and increased by 2.0% on a per hl basis, primarily driven by product mix, operational inefficiencies due to volume decline and commodity prices, partially offset by localization of international brands.

SG&A

Our SG&A remained broadly stable in FY19, as higher sales and marketing investments were offset by savings in distribution expenses resulting from localization of international brands and ongoing cost initiatives in overhead.

Management Discussion and Analysis

Other operating income

Our other operating income increased by 61.0% in FY19 primarily driven by various incentives and divestment of assets. The following table provides additional details related to our other operating income:

	2019 US$'million	2018 US$'million
Grants and incentives	87	91
Net gain on disposal of property, plant and equipment and intangible assets	105	44
Other operating income	45	19
Other operating income	**237**	**154**

Net gain on disposal of property, plant and equipment and intangible assets includes net gains of 45 million US dollar and 7 million US dollar from the sale of properties for the years ended 31 December 2019 and 2018, respectively.

Profit from operations before non-recurring items (Normalized EBIT)

Our normalized EBIT increased by 17.8% in FY19.

Profit from operations

Profit attributable to equity holders of the Company decreased from 958 million US dollar in FY18 to 898 million US dollar in FY19, as our normalized EBIT growth was more than offset by increased tax expenses and unfavorable currency translation effects.

Non-IFRS Financial Measures

Normalized EBITDA

Normalized EBITDA grew by 11.0% in FY19 and normalized EBITDA margin expanded by 271 bps to 32.4%, as a result of strong brand mix, ongoing cost discipline and other operating income.

Normalized EBITDA is a key financial measure regularly monitored by management in managing our performance, capital and funding structure. Normalized EBITDA is calculated by excluding the following effects from profit attributable to equity holders of Budweiser APAC: (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 costs) and (vii) depreciation, amortization and impairment.

Normalized EBITDA and normalized EBIT are not accounting measures under IFRS and should not be considered as an alternative to profit attributable to equity holders as a measure of operational performance, or an alternative to cash flow as a measure of liquidity. Normalized EBITDA and normalized EBIT do not have a standard calculation method and our definition of normalized EBITDA and normalized EBIT may not be comparable to that of other companies.

The reconciliation between profit attributable to equity holders and normalized EBITDA is as follows:

	2019 US$'million	2018 US$'million
Profit attributable to equity holders of Budweiser APAC	**898**	**958**
Non-controlling interest	10	1
Profit for the year	**908**	**959**
Income tax expense (excluding non-recurring)	469	305
Share of results of associates	(23)	(17)
Net finance cost (including non-recurring finance cost)	24	18
Non-recurring income tax benefit	(10)	(9)
Non-recurring items above EBIT	98	42
Normalized EBIT	**1,466**	**1,298**
Depreciation and amortization	655	696
Normalized EBITDA	**2,121**	**1,994**

Management Discussion and Analysis

Non-recurring items

Non-recurring items are items that, in our management's judgment, need to be disclosed by virtue of their size or incidence in order to provide a proper understanding of our consolidated financial statements.

The table below sets forth the components of non-recurring items and their overall impact on our profit from operations for 2019 and 2018:

	2019 US$'million	2018 US$'million
Restructuring	(24)	(39)
Acquisition and integration costs	(7)	(3)
Costs associated with the Listing	(67)	–
Impact on profit from operations	**(98)**	**(42)**
Non-recurring finance costs	(8)	(21)
Non-recurring income tax benefit	10	9
Net impact on profit	**(96)**	**(54)**

The Group incurred costs associated with the Listing of 67 million US dollar reported as non-recurring items and costs capitalized associated with the Listing of 61 million US dollar.

The non-recurring restructuring charges primarily relate to organizational alignments. 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 us with a lower cost base in addition to a stronger focus on our core activities, quicker decision-making and improvements to efficiency, service and quality.

The finance cost of loans with AB InBev of 17 million US dollar for 2019 and 27 million US dollar for 2018 is included in non-recurring finance costs given these loans were settled or capitalized upon Listing.

Income tax expense

The table below sets forth the components of income tax expense and their overall impact on our profit from operations for 2019 and 2018:

	2019 US$'million	2018 US$'million
Current year	(360)	(360)
(Under)/overprovided in prior years	(20)	29
Current tax expense	**(380)**	**(331)**
Deferred tax expense	**(79)**	**35**
Income tax expense	**(459)**	**(296)**
Effective tax rate ("ETR")	**34.2%**	**23.9%**
Normalized effective tax rate	**32.3%**	**23.4%**

Our income tax expense included 2 million US dollar and 4 million US dollar in respect of Hong Kong profits tax in the years ended 31 December 2019 and 2018.

Normalized ETR increased from 23.4% in FY18 to 32.3% in FY19, primarily driven by withholding taxes on dividend payments (associated with re-organizations for the Listing and accruals for the final dividend for FY19) and an allowance on deferred tax assets accrued historically.

Normalized ETR is not an accounting measure under IFRS 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 the Group's definition of normalized effective tax rate may not be comparable to other companies.

Liquidity and Capital Resources

General

Our primary sources of cash flow are cash flows from operating activities and borrowing facilities including cash pooling loans from AB InBev. Our material cash requirements have included the following:

- Capital expenditures;
- Investments in companies participating in the brewing and malting industries; and
- Payments of dividends.

Management Discussion and Analysis

Net current assets/liabilities

The table below sets out, as at the dates indicated, a breakdown of our current assets and current liabilities:

	2019 US$'million	2018 US$'million
Current assets		
Inventories	438	417
Trade and other receivables	652	580
Derivatives	14	12
Cash pooling deposits to AB InBev	40	-
Cash and cash equivalents	952	1,667
Other current assets	12	4
Total current assets	**2,108**	**2,680**
Current liabilities		
Bank overdrafts	75	45
Cash pooling loans from AB InBev	50	-
Interest-bearing loans and borrowings	160	67
Trade and other payables	2,594	2,547
Payables with AB InBev	222	405
Consigned packaging and contract liabilities	1,260	1,284
Derivatives	10	1
Provisions	13	18
Income tax payable	109	101
Total current liabilities	**4,493**	**4,468**
Net current liabilities	**2,385**	**1,788**

We had net current liabilities of 2,385 million US dollar and 1,788 million US dollar as at 31 December 2019 and 2018, respectively.

Our net current liabilities position is mainly a result of our business model and the way we choose to finance our business. The net current liability position is predominantly due to our level of trade payables, which is common in the FMCG sector. We finance working capital through trade payables, on what we believe to be generally favorable credit terms, whereas our inventory and receivables cycles are shorter. Given our strong operating cash inflow, financial performance, available cash resources and our ability to drawdown on cash pooling loans with AB InBev, we believe that our net current liabilities position does not indicate any issues with our liquidity position.

Cash and Cash Equivalents

The table below sets out our cash position as at 31 December 2019 and 31 December 2018.

	2019 US$'million	2018 US$'million
Short-term bank deposits	120	35
Cash and bank accounts	832	850
Cash pool with AB InBev	–	782
Cash and cash equivalents	**952**	**1,667**
Bank overdrafts	**(75)**	**(45)**
	877	**1,622**

The cash in the cash pool with AB InBev was managed as part of a global treasury management function by AB InBev prior to the Listing. Budweiser APAC has legal ownership over the balances that were notionally cash pooled and these balances are therefore considered our cash and bank accounts.

Prior to the Listing, we distributed excess cash amounting to 976 million US dollar to subsidiaries of AB InBev that were not part of our Group.

Cash Flow

The following table sets out our cash flows for the years ended 31 December 2019 and 2018:

	2019 US$'million	2018 US$'million
Cash flow from operating activities	1,379	1,684
Cash flow used in investing activities	(693)	(472)
Cash flow used in financing activities	(1,399)	(1,237)
Net cash decrease in cash and cash equivalents	**(713)**	**(25)**

Management Discussion and Analysis

Cash flow from operating activities

Our cash flows from operating activities for the years ended 31 December 2019 and 2018 were as follows:

	2019 US$'million	2018 US$'million
Profit of the year	908	959
Interest, taxes and non-cash items included in profit[(1)]	1,095	1,010
Cash flow from operating activities before changes in working capital and provisions	**2,003**	**1,969**
Changes in working capital[(2)]	(171)	120
Change in pension contributions and use of provisions	(38)	(66)
Interest and taxes paid	(425)	(349)
Dividends received	10	10
Cash flow from operating activities	**1,379**	**1,684**

Notes:

(1) Non-cash items included in profit of the year include: depreciation, amortization and impairments; including impairment losses on receivables, inventories and other assets; additions in provisions and employee benefits; net finance cost; net gains on sales of property, plant and equipment and intangible assets; equity-settled share-based payment expense; share of results of associates; income tax expense and other non-cash items included in profit.

(2) For purposes of the table above, our working capital includes inventories, trade and other receivables and trade and other payables, both current and non-current.

Cash flow from operating activities in 2019 decreased by 305 million US dollars to 1,379 million US dollars mainly due to the movement in core working capital and an increase in interest and taxes paid.

We devote substantial efforts to the efficient use of our working capital, especially those elements of working capital that we perceive as "core" (including trade receivables, inventories and trade payables). Changes in working capital reduced operating cash flow by 171 million US dollar in 2019. The reduction is mainly explained by the decrease in payables with AB InBev and an increase in trade receivables and accrued income. Additionally, inventories were slightly higher in 2019 as explained by higher levels of raw materials in South Korea due to lower sales volumes, partially offset by the localization of international brands in China.

Cash flow used in investing activities

Our cash flows used in investing activities for the years ended 31 December 2019 and 2018 were as follows:

	2019 US$'million	2018 US$'million
Net capital expenditure	(518)	(468)
Acquisition of subsidiaries and other investments, net of cash acquired	(185)	(4)
Net cash pooling loans from AB InBev	10	-
Cash flow used in investing activities	**(693)**	**(472)**

Cash flow used in investing activities was 693 million US dollar in 2019 as compared to 472 million US dollar in 2018. The increase was mainly driven by the acquisition of 65% of the registered capital of Jebsen Beverage (China) Company Limited, which completed in May 2019.

Cash flow used in financing activities

Our cash flows used in financing activities for the years ended 31 December 2019 and 2018 were as follows:

	2019 US$'million	2018 US$'million
Net repayment of contributed capital by AB InBev	(5,813)	(233)
Proceeds from issuance of shares for Listing	5,695	–
Net repayment of loans with AB InBev	(387)	(545)
Dividends paid	(976)	(394)
Net proceeds from/(repayment of) borrowings	98	(3)
Payment of lease liabilities	(30)	(30)
Cash net finance income/(cost) other than interest	14	(32)
Cash flow used in financing activities	**(1,399)**	**(1,237)**

Cash outflow from financing activities amounted to 1,399 million US dollar in 2019 as compared to 1,237 million US dollar in 2018. The 162 million US dollar increase in cash outflow from financing activities was primarily related to the payment of dividends related to reorganization for the Listing, partially offset by other movements.

Management Discussion and Analysis

Goodwill

Goodwill increased to USD6,921 million as at 31 December 2019 from USD6,718 million as at 31 December 2018 primarily due to the Blue Girl transaction. See "Critical accounting estimates and judgments" and "Goodwill" in Notes 4 and 13 to the consolidated financial statements for additional information on how we account for the goodwill.

Certain goodwill balances are denominated in foreign currencies. These balances are translated into US dollars at the rate applicable at the reporting date and are therefore subject to currency fluctuations. The increase of USD203 million during the year ended 31 December 2019 was partially offset by the depreciation of the Chinese yuan and the South Korean won against the US dollar.

Contingent Liabilities

We are subject to various contingencies with respect to indirect tax, labor, distributors and other claims. 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. To the extent that we believe these contingencies will probably be realized, a provision has been recorded in our consolidated statement of financial position.

As at 31 December 2019, we did not have any material contingent liabilities.

Indebtedness and Gearing

As at 31 December 2019, we had indebtedness primarily in the form of interest-bearing loans from banks to support our working capital needs. The table below sets out a breakdown of our overall indebtedness as at the dates indicated.

	2019 US$'million	2018 US$'million
Bank overdrafts	75	45
Secured bank loans	3	6
Unsecured bank loans and other loans	135	37
Lease liabilities	50	54
Cash pooling loans from AB InBev	50	–
Loans with AB InBev	–	473
Total indebtedness	**313**	**615**

The table below sets out the maturity profile of our overall indebtedness as at the dates indicated:

	2019 US$'million	2018 US$'million
Indebtedness payable within:		
Less than one year	286	112
One to two years	12	15
Two to five years	10	422
Five or more years	5	66
Total indebtedness	**313**	**615**

We are not geared as of 31 December 2019 and 2018. See Note 3.2 of the consolidated financial statements for details of our gearing ratio, being the ratio of cash net of debt to total consolidated equity.

Capital Expenditures

	2019 US$'million	2018 US$'million
Land and buildings	–	66
Plant and equipment, fixtures and fittings and others	614	537
Total capital expenditure	**614**	**603**

Out of our total capital expenditures for 2019, approximately 51% was used to improve our breweries and facilities, 42% was used for logistics and the remaining 7% was used for improving administrative capabilities and purchase of hardware and software.

We continue to invest in our supply and commercial capabilities to fuel our growth initiatives across Asia Pacific. In 2020, our capital expenditures will continue to focus on expansion of production capability for key brands, technology upgrades in our brewing facilities, and returnable packaging (e.g., returnable glass bottles, kegs) to meet growing consumer demand. Our capital expenditures are primarily funded through cash from operating activities and this is expected to be the case for 2020.

Pledges of Assets

As at 31 December 2019 and 31 December 2018, none of our assets were pledged to secure loans and banking facilities, but in South Korea, collateral on property was given in favor of the excise tax authorities – see Note 29 of the consolidated financial statements.

Management Discussion and Analysis

Key Financial Ratio

The table below sets out our key financial ratio as at the dates indicated:

	2019 US$'million	2018 US$'million
Cash net of debt to normalized EBITDA	**0.3x**	**0.5x**

Cash net of debt to normalized EBITDA reduced to 0.3x in 2019 from 0.5x in 2018 as a result of lower cash and cash equivalents of 952 million US dollar in 2019 compared to 1,667 million US dollar in 2018 following the increase in dividend payments prior to the Listing in 2019 and the increase of normalized EBITDA to 2,121 million US dollar in 2019 from 1,994 million US dollar in 2018.

Treasury Policy and Market and Other Financial Risks

Our activities expose us to a variety of financial risks: market risk (including currency risk, cash flow interest risk and commodity risk), credit risk, and liquidity risk. We analyze each of these risks individually as well as on a combined basis, and define strategies to manage the economic impact of our performance in line with our risk management policy. The main derivative instruments we use are foreign exchange forward contracts, cross currency interest rate swaps and exchange traded commodity futures. The derivatives are part of a cash flow hedge relationship.

Our financial risk management policy prohibits the use of derivative financial instruments for trading purposes, and we therefore do not hold or issue any such instruments for such purposes.

Foreign Currency Risk

We are subject to foreign currency risk when contracts are denominated in a currency other than the functional currency of our subsidiary engaged in the relevant transaction. This includes borrowings, sales, (forecasted) purchases, royalties, dividends, licenses, management fees and interest expense/income. Our foreign currency risk is primarily related to Euro and US dollar purchases.

We may hedge operating transactions which are reasonably expected to occur (e.g., cost of goods sold and selling, general and administrative expenses) within the forecast period determined in our financial risk management policy. Operating transactions that are considered certain to occur are hedged without any time limits.

It is our policy to have the debt in our 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 combined basis and take into consideration the holistic risk management approach.

See Note 3.1.1 to the consolidated financial statements for details of our sensitivity analyses, a fuller quantitative and qualitative discussion on the foreign currency risks to which we are subject and our policies with respect to managing those risks.

Separately, fluctuations in the exchange rates between the US dollar and other currencies, primarily the Chinese Yuan, South Korean Won and the Indian Rupee, affect translation into US dollars when we prepare our financial statements. Assets and liabilities of foreign operations are translated into US dollar at foreign exchange rates prevailing at the date of the statement of financial position. Income statements of foreign operations 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 owners' equity are translated at historical rates. Exchange differences arising from the translation of owners' equity to US dollar at year-end exchange rates are taken to other comprehensive income (translation reserves). See Note 2.3.3 for details of the most important exchange rates used in preparing the financial statements.

Interest rate risk

At 31 December 2019, USD27 million US dollar, or 20% of our interest-bearing financial liabilities, excluding lease liabilities, bore interest at a variable rate. We estimated that the reasonably possible change of the market interest rates would have an immaterial impact on our profit. We may in the future enter into interest rate swap agreements to manage our interest rate risk, and also enter into cross-currency interest rate swap agreements to manage both our foreign currency risk and interest rate risk on interest-bearing financial liabilities.

For more information, see Note 3.1.2 to the consolidated financial statements.

Acquisitions or Disposals

On 30 May 2019, we completed the acquisition of 65% of the registered capital of Jebsen Beverage (China) Company Limited, which is principally engaged in the manufacturing, distribution, sale and commercialization of the Blue Girl and other brands of beer and other malt-based beverages in Mainland China (excluding Hong Kong, Macau and Taiwan).

Investment in Associates

We have an investment in an associate, Guangzhou Zhujiang Brewery Joint-Stock Co., Ltd. ("Zhujiang"), for which we recognized results of investment in associates of 23 million US dollar as of 31 December 2019.

Management Discussion and Analysis

Outlook

We finished 2019 with a challenging 4Q19 in China due to a slow recovery in the nightlife channel, even though it was improving gradually month-over-month within the quarter. Subsequently, we had a strong start of the year during the first three weeks of January 2020, supported by our largest Chinese New Year (CNY) campaign ever, until the outbreak of the COVID-19 virus.

The World Health Organization declared the outbreak a "public health emergency of international concern" (PHEIC), affecting many people's lives and their ways of living. The health and safety of our community, our colleagues and business partners are our top priority. We support the government's measures and recommendations (e.g., staying home, avoiding crowds, minimizing gatherings) to contain the spread of the virus. We commend the efforts of health officials on the front lines and around the world who have been combatting the outbreak.

As a company with deep roots in China for over 30 years, we care deeply about the country and its people. We have donated funds and resources to local communities to support the fight against COVID-19, including cash contribution, emergency medical supplies and clean drinking water from Budweiser's Emergency Drinking program. We are committed to supporting our communities in their efforts to combat the virus and win this fight.

The impact of the virus outbreak on our business continues to evolve. We have observed almost no activity in the nightlife channel and very limited activity in restaurants. To a lesser extent, we have also observed a meaningful decline in in-home channel (e.g., modern trade, traditional trade), with the exception of e-commerce, which has accelerated its growth significantly.

For the first two months of 2020, we are estimating[1] a decline in revenue of approximately 285 million USD organically and a decline in normalized EBITDA of approximately 170 million USD organically as compared to the same period in 2019 in China, driven by the impact from the outbreak. However, it is difficult to estimate the full impact in the coming months, as it is dependent on the containment of the virus and the speed by which our customers resume their normal operations.

On the supply side, as at the end of February 2020, we have re-opened more than half of our breweries and obtained licenses to re-open all of the other breweries, except for our brewery in Wuhan. We continue to brew and deliver high quality beer to consumers when and where they choose to enjoy our products safely.

As a company of owners, we act with a great sense of urgency, agility and discipline. We have reallocated resources, where possible, to support our business partners and consumers through this difficult time and prepare for a strong recovery thereafter. We remain committed to the China market and optimistic about the growth potential of our business given our unparalleled brand portfolio, exceptional route to market and resilient team. We look forward to bringing people together in celebratory moments as our consumers reconnect with family and friends as soon as this crisis is over.

1 Estimated based on data available to management as at the date of the FY19 results press release (27 February 2020), including January 2020 management accounts, estimated February 2020 impact to date, and expected trend for the remainder of February 2020. This data was based on internal records and management accounts and has not been reviewed or audited by independent auditors.

In South Korea, we remain cautious on the recovery of the overall economy and industry, especially with the recent outbreak of the COVID-19 virus in the country. In 1H20, we also face a difficult comparable. We continue to increase our commercial investments to support our brands, the results of which have already become visible in certain channels (e.g., in-home).

Since 1 January 2020, the tax reform in South Korea that aims to create a more equal excise treatment for domestic brewers and imported brands has been implemented, which is beneficial for the industry overall and especially for domestic brewers. We continue to make commercial investments to revitalize the beer industry and support our brands.

In our business in APAC, we will continue to make the necessary commercial investments to fuel our growth initiatives, especially through geographic expansion, innovations and the extended reach of our Premium and Super Premium portfolio into different channels and occasions. In addition, we will continue to evaluate and pursue inorganic growth opportunities in both our existing and new markets. We believe our top and bottom-line growth will be driven by brand mix from premiumization and supported by ongoing cost discipline. We are excited by the growth potential of the Asia Pacific region and remain focused on our commercial strategy to deliver sustainable growth for our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT


Corona
Extra
330 ml.
4.5%Alc./
LA CERVEZA MAS FINA
BEER
BEER
Brewed and bottled by
CERVECERIA MODELO, S.DE R.L.DEC.V
MEXICO, D.F.
REG. S.S.A. No. 7417 "B"
MARC. REG.

Directors and Senior Management

Executive Directors

Jan Craps • Chief Executive Officer and Co-Chair of the Board of Directors

Aged 42 • Appointed on 8 May 2019

Qualifications and education

- Bachelor's Degree in Business Engineering from KU Brussels in Brussels, Belgium
- Master's Degree in Business Engineering from KU Leuven in Leuven, Belgium

Other positions held within the AB InBev Group

- Zone President Asia Pacific of AB Inbev

Other major offices

- Melbourne Business School in Melbourne, Australia (Board member)
- China Europe International Business School (CEIBS) in Shanghai, China (Corporate Advisory Board member)

Past experience

Mr. Craps joined AB InBev in May 2002. Prior to joining AB InBev, Mr. Craps was a fellow with McKinsey & Company, Belgium. He acquired a range of international experiences in a number of senior marketing, sales and logistics executive positions in France and Belgium. In February 2011, he relocated to Canada where he was appointed the Regional Vice President of Quebec and then the Vice President of Sales of Canada for Labatt Breweries in October 2011. Mr. Craps became the President and Chief Executive Officer of Labatt Breweries of Canada in November 2014. In October 2016, he joined the Group as the Zone President of APAC South.

Renrong Wang (Frank) • General Counsel and Joint Company Secretary

Aged 52 • Appointed on 10 April 2019

Qualifications and education

- Bachelor's Degree in Philosophy from Nanjing University, China
- Master's Degree in Law from KU Leuven in Leuven, Belgium
- PhD in Law from Fudan University, Shanghai, China

Other major offices

- Shanghai Fudan Forward S&T Co., Ltd. (listed on The Shanghai Stock Exchange with the stock code of 600624) (Independent director)
- Guangzhou Zhujiang Brewery Co., Ltd. (listed on Shenzhen Stock Exchange with the stock code of 002461, an associate of the Company) (Director)

Past experience

Mr. Wang has solid experience in M&A, legal affairs, compliance, communications and external affairs. Mr. Wang joined the Group in November 2003 as a Legal Director of China and has been serving in the Group and the beer industry for 17 years. From January 2005 to December 2016, Mr. Wang acted as the Vice President of Legal and Corporate Affairs of the Group, responsible for all BUs in Asia.

In January 2017, corresponding to AB InBev's global structure strategy, Mr. Wang was appointed the Vice President of Legal and Corporate Affairs of Asia Pacific North.

In January 2019, with the combination of Asia Pacific North and Asia Pacific South, he was appointed the Vice President of Legal and Corporate Affairs of the Group, responsible for all BUs of the Group.

Non-executive Directors

Carlos Brito • Co-Chair of the Board of Directors

Aged 59 • Appointed on 9 May 2019

Qualifications and education

- Mechanical Engineering Degree from Universidade Federal do Rio de Janeiro in Rio de Janeiro, Brazil
- MBA Degree from the Stanford Graduate School of Business in California, US

Major positions with the AB InBev Group

- AB InBev (CEO)
- Ambev (Co-Chair of the Board and Director)

Other major offices

- Stanford Graduate School of Business (Advisory Council Member)
- Tsinghua University School of Economics and Management (Advisory Board member)

Past experience

Mr. Brito joined Ambev in November 1989, where he held roles in finance, operations and sales, before being appointed as the Chief Executive Officer of AB InBev in December 2005.

Directors and Senior Management

Felipe Dutra

Aged 54 • Appointed on 9 May 2019

Qualifications and education

- Bachelors' Degree in Economics from University Candido Mendes in Rio de Janeiro, Brazil
- MBA Degree from University of Sao Paulo in Sao Paulo, Brazil

Major positions with the AB InBev Group

- AB InBev (Chief Financial and Solutions Officer)
- Ambev (Director)

Other major offices

- Cervecería Modelo de México, S. de R.L. de C.V. (Advisory board member)

Past experience

Mr. Dutra joined Ambev in August 1990. At Ambev, he held various positions in Treasury and Finance. Mr. Dutra was appointed as Ambev's Chief Financial Officer in January 1999 and Chief Financial Officer of AB InBev in January 2005. In January 2014, Mr. Dutra became AB InBev's Chief Financial and Technology Officer.

Independent Non-executive Directors

Martin Cubbon

Aged 62 • Appointed on 2 July 2019

Qualifications and education

- Bachelor's Degree of Arts (Honors) in Economics from the University of Liverpool in Liverpool, the UK
- Chartered Accountant (ICAEW)

Other major offices

- John Swire & Sons Limited (Director)
- Swire Pacific Limited, the shares of which are listed on the Stock Exchange (stock codes: 0019 and 0087) (Non-executive director)
- James Finlay Limited (Director)

Past experience

Mr. Cubbon was a director of:

- Swire Pacific Limited from September 1998 to September 2017
- Swire Properties Limited (stock code: 1972) from March 2000 to September 2017
- Cathay Pacific Airways Limited (stock code: 0293) from September 1998 to May 2009 and from January 2015 to September 2017
- Hong Kong Aircraft Engineering Company Limited (previous stock code: 0044; delisted now) from August 2006 to May 2009

Mr. Cubbon was Group Finance Director of Swire Pacific Limited from September 1998 to March 2009, the Chief Executive of Swire Properties Limited from June 2009 to December 2014, and Corporate Development and Finance Director of Swire Pacific Limited from January 2015 to September 2017.

Mun Tak Marjorie Yang

Aged 67 • Appointed on 2 July 2019

Qualifications and education

- Bachelor's Degree of Science from the Massachusetts Institute of Technology in Massachusetts, US
- MBA Degree from the Harvard Business School in Massachusetts, US
- Justice of the Peace
- Gold Bauhinia Star

Other major offices

- Esquel Group (Chairman)
- Seoul International Business Advisory Council (Chairman)
- APEC Business Advisory Council (Appointed representative of Hong Kong)
- Chief Executive's Council of Advisers on Innovation and Strategic Development (Member)
- Advisory board of Computer Science and Artificial Intelligence Lab at the Massachusetts Institute of Technology (Co-chairman)
- Steering Committee of Coolthink@JC (Chairperson)
- Harvard University (Advisory board member)
- Tsinghua University School of Economics and Management (Advisory board member)

Past experience

Ms. Yang was a director of the Hongkong and Shanghai Banking Corporation Limited, a subsidiary of HSBC Holdings plc (listed on the Stock Exchange with the stock code of 0005), from July 2003 to April 2019 and Swire Pacific Limited (listed on the Stock Exchange with the stock codes of 0019 and 0087) from October 2002 to May 2017.

Katherine King-suen Tsang

Aged 62 • Appointed on 2 July 2019

Qualifications and education

- Bachelor of Commerce Degree from University of Alberta, Canada

Other major offices

- Max Giant Capital (Founder)
- Genesis Emerging Markets Fund Limited, listed on the London Stock Exchange with the stock code of GSS (Independent non-executive director)
- China CITIC Bank International Limited (Independent non-executive director)
- Advisory Council for China of the City of London (Member)
- Shanghai Jiao Tong University (Board member)

Directors and Senior Management

Past experience
Ms. Tsang was the Chairperson of Greater China of Standard Chartered Bank from August 2009 to August 2014.

She previously served as an independent non-executive director of Gap Inc. (listed on the New York Stock Exchange with the stock code of GPS) from August 2010 to May 2018, an independent non-executive director of Baoshan Iron & Steel Co., Ltd. (listed on the Shanghai Stock Exchange with the stock code of 600019) from May 2006 to April 2012, a member of the World Economic Forum's Global Agenda Council on China from 2009-2012 and a member of Sotheby's Asia Advisory Board from November 2011 to October 2014.

Senior Management

Jan Craps

Chief Executive Officer, aged 42
Mr Craps' biography is set out for "Directors and Senior Management – Executive Directors" on page 42.

Renrong Wang (Frank)

General Counsel and Joint Company Secretary, aged 52
Mr. Wang's biography is set out for "Directors and Senior Management – Executive Directors" on pages 42 to 43.

Hongsun Qian (Linda)

Vice President of People, aged 53
Ms. Qian holds a Degree of Master of Art in Human Resources Management from De Montfort University in Leicester, UK. She is also a certified Chartered Member of the Chartered Institute of Personnel and Development of the UK.

Ms.Qian joined the Group in 2007. She is responsible for the people management of the Group.

Yanjun Cheng (YJ)

Vice President of Supply and Logistics, aged 60
Mr. Cheng holds a Bachelor's Degree in Engineering from Qilu University of Technology (formerly known as Shandong Institute of Light Industry in Jinan, China and an eMBA Degree from the China Europe International Business School in Shanghai, China. Mr. Cheng was qualified as a senior engineer in June 1994.

Mr. Cheng joined the Group in 1996. He was appointed as the Vice President of Supply and Logistics on 1 January 2019. He is responsible for the supply chain management of the Group.

Rodrigo Rodrigues

Vice President of Logistics, aged 43
Mr. Rodrigues holds a Master's Degree in Business Administration from CEIBS Shanghai and Bachelor's Degree in Civil Engineering from the University of Campinas UNICAMP, Brazil.

Mr. Rodrigo joined the Group in 2019. He is responsible for the logistics management of the Group.

Keith Davies

Vice President of Solutions, aged 39
Mr. Davies holds a Bachelor's Degree in Applied Sciences (Engineering Science) from the University of Toronto in Toronto, Canada.

Mr. Davies joined the Group in 2017. He is responsible for the IT related matters of the Group.

Guilherme Castellan

Chief Financial Officer, aged 36
Mr. Castellan holds a Bachelor's Degree in Business Administration from Fundacao Getulio Vargas in Sao Paulo, Brazil.

Mr. Castellan joined the Group in 2016. He is responsible for the financial operation, financing and investment activities of the Group.

Qi Che (Matt)

Vice President of Marketing, aged 46
Mr. Che holds a Bachelor's Degree in Arts from the University of Birmingham, in Birmingham, UK, and a Master's Degree in Science (Marketing) from the University of Birmingham, in Birmingham, UK.

Mr. Che joined the Group in 2006. He oversees all brand marketing activities and is held accountable for driving marketing-led business growth.

Jan Clysner

Vice President of Procurement and Sustainability, aged 47
Mr. Clysner holds a degree in Applied Economical Sciences from Hasselt University in Diepenbeek, Belgium.

Mr. Clysner joined the Group in 2017. He is responsible for Procurement and Sustainability of the Group.

Directors and Senior Management

Frederico Freire

BU President of China, aged 47

Mr. Freire holds a Bachelor's Degree in Electrical Engineering from Universidade de Pernambuco in Recife, Brazil and a Master's Degree in Production Engineering from Universidade Federal de Pernambuco in Recife, Brazil. He also completed his Specialization Course in Business Management in Universidade de Pernambuco in Recife, Brazil.

Mr. Freire joined the Group in 2010. He is responsible for the formulation of the strategic direction and the day-to-day management of BU China of the Group.

Zhen Zhou (Luke)

Vice President of Strategy and Business Transformation, aged 40

Mr. Zhou studied at the Peking University, Beijing, China. He holds a Bachelor's Degree in Applied Mathematics and a Master's Degree in Applied Mathematics.

Mr. Zhen joined the Group in 2008. He is responsible for strategies-making for the organic growth of the Group, strategic project management and business transformation.

Kartikeya Sharma

BU President of South Asia, aged 38

Mr. Sharma holds a Bachelor's degree in Economics from the Maharaja Sayajrao University, Baroda; an Advanced Marketing Certification from the Indian Institute of Management, Lucknow and an Executive MBA alternative from the Harvard Business School, Boston.

Mr. Sharma joined the Group in 2005. He is responsible for the formulation of the strategic direction and the day-to-day management of BU South Asia of the Group.

Ben Verhaert

BU President of East Asia, aged 42

Mr. Verhaert holds a Bachelor's Degree in Management from Catholic University of Louvain in Louvain-la-Neuve, Belgium.

Mr. Verhaert joined the Group in 2017. He is responsible for the formulation of the strategic direction and the day-to-day management of BU East Asia of the Group.

Chia-hung Hsu (John)

BU President of Southeast Asia, aged 48
Mr. Hsu holds a Bachelor of Arts from the National Chengchi University in Taiwan and a MBA Degree from Washington University in St. Louis, US.

Mr. Hsu joined the Group in 2010. He is responsible for the formulation of the strategic direction and the day-to-day management of BU Southeast Asia of the Group.

Our Joint Company Secretaries

Renrong Wang (Frank) is also the joint company secretary of the Company. Please refer to “Directors and Senior Management – Executive Directors” on pages 42 to 43.

Ms. Chan Wai Ling was appointed as our Joint Company Secretary on 9 May 2019. She is a Director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is currently the company secretary/joint company secretary of four other listed companies on the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE REPORT


ANNO 1366
IMPORTED
LAGER BEER
ANNO 1366
STELLA
ARTOIS
Belgium
BREWING EXPERTISE

Corporate Governance Report

The Company is committed to achieving the highest standards of corporate governance with a view to safeguarding the interests of our Shareholders.

For the Company, corporate governance concerns both the effectiveness and the accountability of its Board. Effectiveness, and therefore the quality of leadership and direction that the Board provides, is measured by performance which is ultimately reflected in enhanced shareholder value. Accountability, including all the issues surrounding disclosure and transparency, is what provides legitimacy to the Board's actions. Shareholders elect Directors to run the Company on their behalf and the Board is accountable to shareholders for its actions.

Our Corporate Governance Charter was adopted by the Board and sets out a range of governance principles in relation to the conduct of the Company with the aim of providing transparent disclosure of our governance.

The Board has reviewed the corporate governance practices of the Company. The Company has complied with the code provisions set out in the Corporate Governance Code (where applicable) throughout the period from the Listing Date and up to 31 December 2019.

Board of Directors

Composition of the Board

The Board has a balanced composition of Executive and Non-executive Directors. The Board is currently comprised of seven Directors as follows:

Executive Directors

- Jan Craps (Co-Chair and Chief Executive Officer)
- Renrong Wang (Frank) (General Counsel and Joint Company Secretary)

Non-executive Directors

- Carlos Brito (Co-Chair)
- Felipe Dutra

Independent Non-executive Directors

- Martin Cubbon
- Mun Tak Marjorie Yang
- Katherine King-suen Tsang

The biographical information of the Directors is set out in the "Directors and Senior Management" section of this Annual Report on pages 42 to 46.

At each annual general meeting, one third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. All Directors will be eligible for re-election. The biographical details of the retiring Directors will be set out in a circular to the Shareholders to assist the Shareholders in making an informed decision on their re-elections.

Each of our current Non-executive Directors and Independent Non-executive Directors is appointed for a specific term of three years, subject to retirement by rotation and re-election by Shareholders at annual general meetings. The term, duties and obligations of each Non-executive Director and Independent Non-executive Director are set out in a formal letter of appointment entered into with the Company.

There is no particular relationship (including financial, business, family or other material or relevant relationship) between or among any members of the Board, other than the Executive Directors and Non-executive Directors each being an employee of the AB InBev group of companies.

Role of the Board

The Company has a "one-tier" governance structure whereby the Board is the ultimate decision-making body and responsible for the overall management of the Company, except for the powers reserved to the Shareholders by law, the Articles of Association, or the Listing Rules. The Board's key responsibilities include:

- approving long-term objectives and overall strategy (as recommended by the Chief Executive Officer);
- overseeing the Company's principal objectives;
- assuming ultimate responsibility for the oversight of the Company's activities;
- ensuring the Executive Committee develops and maintains appropriate, adequate and cost-effective internal control and risk management mechanisms (in conjunction with the Audit Committee); and
- reviewing and approving financial statements.

Attendance at Meetings

During the period between the Listing Date and 31 December 2019, the Company convened one Board meeting and one Board Committee meeting. The attendance records of the Directors are set out below.

	Directors' meeting attendance between the Listing Date and 31 December 2019 (Number of meetings attended/eligible to attend)			
Name	Board	Audit Committee	Remuneration Committee	Nomination Committee
Directors				
Jan Craps	1/1	–	1/1	–
Renrong Wang (Frank)	1/1	–	1/1	–
Carlos Brito	1/1	–	1/1	–
Felipe Dutra	0/1	–	–	–
Martin Cubbon	1/1	–	–	–
Mun Tak Marjorie Yang	1/1	–	1/1	–
Katherine King-suen Tsang	1/1	–	1/1	–
Total no. of meetings held	1	0	1	0

The Company expects to convene at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1. of the Corporate Governance Code.

Corporate Governance Report

Board Independence

Since the Listing Date, the Company had three Independent Non-executive Directors in compliance with the Rules 3.10(1) and Rules 3.10(2) of the Listing Rules, with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The number of Independent Non-executive Directors accounts for more than one third of the number of the Board members.

According to the Rule 3.13 of Listing Rules, the Independent Non-executive Directors of the Company have made confirmations to the Company regarding their independence for the period since the Listing Date and ended 31 December 2019. Based on the confirmations of the Independent Non-executive Directors, the Company considers each of them to be independent during such period.

Board effectiveness

The Board is comprised of group of Directors with a diverse range of business and professional backgrounds who bring a range of expertise, skills, experience and insights to the governance of the Company.

Age	40 to 49 years old:	14% (1 Director)
	50 to 59 years old:	43% (3 Directors)
	60 to 69 years old:	43% (3 Directors)
Gender	Male:	71% (5 Directors)
	Female:	29% (2 Directors)
Ethnicity	Chinese:	43% (3 Directors)
	Non-Chinese:	57% (4 Directors)

Chair and Chief Executive Officer

For the period from the Listing Date to 31 December 2019, the positions of Chair and Chief Executive Officer were held by Mr. Carlos Brito and Mr. Jan Craps, respectively.

The Chair is responsible for the proper and efficient functioning of the Board (including, among other things, determining the Board calendar and ensuring Directors receive complete and accurate information). The Chief Executive Officer reports directly to the Board and is entrusted with the day-to-day management of the Company.

The Chair has established a close relationship with the Chief Executive Officer, providing support and advice, while fully respecting the executive responsibilities of the Chief Executive Officer. Their respective responsibilities are clearly set out in the Company's Corporate Governance Charter.

With effect from 19 February 2020, Mr. Jan Craps was appointed as Co-Chair of the Board, alongside Mr. Carlos Brito. Code provision A.2.1 of the Corporate Governance Code provides that the roles of chair and chief executive should be separate and should not be performed by the same individual. Mr. Jan Craps' appointment as both the Co-Chair and the Chief Executive Officer of the Company deviates from code provision A.2.1. The Board considers that appointing Mr. Jan Craps as a Co-Chair of the Board will enable the Board to function more effectively when Mr. Carlos Brito is not available to attend the Board meeting in person. It is expected that, going forwards, Mr. Carlos Brito will perform the other functions and responsibilities of the chair under the Corporate Governance Code. The Board believes that the balance of power and authority is adequately ensured by the operations and governance of our Board which comprises experienced and high caliber individuals, with more than one third of them being Independent Non-executive Directors.

Joint Company Secretaries

The joint company secretaries are Mr. Renrong Wang (Frank) and Ms. Chan Wai Ling of Tricor Services Limited, as external service provider. Her primary contact person at the Company is Mr. Renrong Wang (Frank).

The joint company secretaries play an important role in supporting the Board by ensuring good information flows between the Board and management and that Board policy and procedures are followed. The joint company secretaries are responsible for ensuring that Board procedures are complied with and that the Board acts in accordance with its statutory obligations under the Articles of Association. The joint company secretaries also advise the Board on all governance matters and assist the Chair in fulfilling his duties (including the logistics associated with the affairs of the Board).

During the reporting period, the joint company secretaries undertook over 15 hours of professional training.

Continuous development

The Company acknowledges the importance of continuous professional development to ensure that Directors are kept abreast of the latest developments in the business, legal and regulatory environment.

Prior to the Listing Date, the Company engaged external lawyers to provide each of the Directors with training on their statutory obligations, director duties, the Corporate Governance Code, the Listing Rules and applicable laws and regulations. Attendance by the Directors at this training is set out below:

Directors	Attendance at training
Jan Craps	✓
Renrong Wang (Frank)	✓
Carlos Brito	✓
Felipe Dutra	✓
Martin Cubbon	✓
Mun Tak Marjorie Yang	✓
Katherine King-suen Tsang	✓

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Regular seminars and written training materials relating to the roles, functions and duties of a director are provided to the Board from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects.

Senior Management

The senior management is entrusted with day-to-day management of the Company and its subsidiaries, affiliates and joint ventures, and is responsible for the execution and management of all Board decisions.

The Executive Committee, which is comprised of the Chief Executive Officer, the Chief Financial Officer and the General Counsel, works with the Board on matters such as corporate governance, general management of the Company and the implementation of corporate strategy as defined by our Board. The Executive Committee drives the commercial and operational agenda, reflecting the strategy set out by the Board.

Corporate Governance Report

Directors ordinarily will not give instructions to, or interfere with the activities of Company management and employees engaged in the due exercise of powers granted to them by the Board. By exception to this principle, members of the Audit Committee will at all times have full and free access to the Chief Financial Officer and any other officers or employees to whom they may require access in order to carry out their responsibilities.

Biographies of the members of the senior management are set out in the "Directors and Senior Management" section of the Annual Report on pages 46 to 49.

Directors' securities transactions

The Company has established its own Code of Dealing regarding Directors' securities transactions on terms no less stringent than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the financial year ended 31 December 2019.

Financial reporting

Directors' responsibility

The Directors acknowledge their responsibility for the preparation and true and fair presentation of the financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

In preparing the consolidated financial statements for the year ended 31 December 2019, the Board adopted appropriate accounting policies consistently, made prudent and reasonable judgments and estimates, and ensured that the consolidated financial statements were prepared on a going concern basis and show a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of the Group's consolidated financial performance and cash flows for the year then ended.

Auditor's responsibility

A statement by the external auditor of the Company, PricewaterhouseCoopers, is included in the Independent Auditor's Report on pages 97 to 102 of this Annual Report.

Auditor's remuneration

Consolidated financial statements contained in this report have been audited by PwC. Service fees for auditing and non-auditing services provided by PwC for the year ended 31 December 2019 are included in Note 9 to the consolidated financial statements. The major non-audit services provided by our external auditor for the year ended 31 December 2019 mainly include services in connection with tax advisory.

Board Committees

Audit Committee

The Audit Committee is comprised of three members: Martin Cubbon (Chair of the Audit Committee), Katherine King-suen Tsang and Felipe Dutra.

The primary duties of the Audit Committee include (among other things) overseeing the financial reporting system and internal control procedures of the Company; reviewing the financial information of the Company and considering issues relating to the external auditors and their appointment.

Summary of work

Duties performed by the Audit Committee during the period from the Listing Date to 31 December 2019 include, amongst other things, the following:

- Reviewed the accounting principles and practices adopted by the Group, including financial reporting matters relating to the Company's financial results for the nine months ended 30 September 2019; and
- Reviewed the Company's financial results for the nine months ended 30 September 2019

At the meeting in February 2020, the Audit Committee reviewed the Company's annual financial results, internal audit function, internal control and risk management systems, and the processes for financial reporting and the Listing Rules compliance.

Nomination Committee

The Nomination Committee is comprised of three members: Carlos Brito (Chair of Nomination Committee), Mun Tak Marjorie Yang, and Martin Cubbon.

The Nomination Committee's primary duties include (among other things) reviewing the structure, size and composition of the Board; identifying individuals suitably qualified to become Directors and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

Summary of work

Duties performed by the Nomination Committee during the year include, amongst other things, recommending to the Board changes to members of senior management, namely the appointment of Rodrigo Rodrigues as Vice President of Logistics, the appointment of Kartikeya Sharma as BU President of South Asia and the appointment of Ben Verhaert as BU President of East Asia.

Nomination Criteria

As the gatekeeper to the Board, the Nomination Committee will ensure that Directors joining the Board share the Company's dream and its underlying vision of enduring greatness and of building the preeminent consumer goods company of the 21st century.

All active and prospective Directors must live by the following five Board principles:

- ensuring the Company's enduring greatness is the Board's overarching purpose;
- the Board is the guardian of the Company's culture that manifests itself in the Company's 10 Principles. The Board itself adheres to the 10 Principles;
- the Company's executives are partners of the Shareholders and the Board. They are not merely employees;
- the Company has a culture of mutual respect and trust. Directors speak up, listen and come back constructively. They are transparent, honest and candid. They hold no grudges. There is no room for politics or hidden agendas around the Board table; and
- the Board nominates successors that are as good as or better than the outgoing Directors.

Corporate Governance Report

The Board members must have the right mix of skill and experience. Therefore, more conventional recruitment criteria for Directors such as experience, executive position, functional expertise, reputation and public visibility are also relevant.

Board Diversity Policy

The Board has adopted a Board Diversity Policy setting out its approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company believes that a diverse team improves the quality of decision-making, and ultimately improves overall performance and it builds on passionate people becoming owners.

The Nomination Committee will monitor the implementation of the Board Diversity Policy by conducting review of the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects and adhering to the Board Diversity Policy when making recommendation on any Board appointments. The Nomination Committee will also ensure that Board diversity is considered as part of the evaluation of the Board's effectiveness.

Remuneration Committee

The Remuneration Committee is comprised of three members: Mun Tak Marjorie Yang (Chair of Remuneration Committee), Katherine King-suen Tsang, and Carlos Brito.

The Remuneration Committee's primary duties include (among other things) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration; monitoring the performance of the Chief Executive Officer, the Executive Committee and senior management; and approving or making recommendations on individual remuneration packages of Directors and senior management.

Summary of work

Duties performed by the Remuneration Committee during the year include, amongst other things, the following:

- approved changes to the remuneration structure of senior management;
- recommended the grant of options under the Discretionary Long Term Incentive Scheme; and
- recommended the grant of restricted stock units under the Discretionary Restricted Stock Units Plan.

Remuneration Policy

The Remuneration Committee recommends the level of remuneration for Directors, including the Chair, subject to approval by the Board.

The Remuneration Committee will regularly benchmark Directors' compensation against peer companies to ensure that it is competitive. Remuneration is linked to the time committed to the Board and its various committees. Changes to the compensations of the Directors will be submitted to the Shareholders' Meeting for approval.

In addition, Board members may be granted certain number of share options or restricted share units or bonus shares under share incentive schemes adopted by the Company from time to time. Such securities may be granted upon the recommendation of the Remuneration Committee and will be subject to approval by the Board.

The remuneration of the Board members is thus composed of a fixed fee and certain securities of the Company, which makes Board compensation simple, transparent and easy for Shareholders to understand.

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 of the committees of the Board and the rules for reimbursement of Directors' business-related out-of-pocket expenses.

2019 Remuneration

Directors' emoluments comprise payments to Directors by the Company in connection with the management of the affairs of the Company. Details of emoluments paid to each Director and the five highest paid employees in 2019 are set out in Notes 8 and 33 of the consolidated financial statements.

Corporate governance functions

The Board is primarily responsible for performing the corporate governance functions of the Company, including the following:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and
- developing, reviewing and monitoring this policy and any other codes of conduct or policies applicable to Directors and officers of the Company.

Risk Management and Internal Control

Board's responsibility

The Board of Directors and the senior management are responsible for establishing and maintaining adequate internal controls and risk management systems and reviewing their effectiveness. 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 within the level of exposure acceptable to the Company.

Corporate Governance Report

Control framework

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 2017.

To mitigate operational, financial compliance and legal compliance risks, we are organized internally as per 3 levels of controls with different scopes and focus:

1st level: day-to-day operations

1st level of control is comprised of our local management and their teams, the service centers as well as the local internal control teams in each of our business units across China, South Asia, East Asia and Southeast Asia. These teams are responsible for identifying risks and managing the day-to-day execution of processes and controls to mitigate those risks in their local business units.

2nd level: oversight from legal compliance and control

2nd level of control is comprised of our Control & Solutions teams as well as Legal team at group level. These teams are responsible for overseeing processes and controls from an overall group perspective.

3rd level: Risk Management

3rd level of control is comprised of our independent Risk Management team, fulfilling the role of internal audit department. The Risk Management team is responsible for reviewing the effectiveness of the group's control systems and working with process owners to implement improvements.

The Board acknowledges that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 is committed to establishing high level risk management and internal control systems to safeguard the Company's interests and Shareholders' investment.

Internal control

Our internal control function is led by the Internal Control team in Finance. The internal control processes and procedures that have been established for various aspects of the business, with clearly defined scopes of responsibilities, form the foundation of Bud APAC's internal control system to ensure compliance of business operations with applicable regulations. These internal control processes are reviewed annually by the Audit Committee and the Board.

Risk management process

The Company has established robust, comprehensive and technology-driven risk management to effectively manage and mitigate risks inherent to the business to protect the Company, the customers and the partners, as well as to meet regulatory obligations.

To support the risk management process, an annual risk assessment is performed by the 3rd level of control: our Risk Management team. Such assessment uses a bottom-up and top-down approach, starting bottom-up with inputs from both key internal stakeholders across verticals and business units and external stakeholders such as audit firms. Those inputs are then collated and appraised with topics being prioritized with the use of a Risk Assessment Index. An audit plan with the key risk areas identified is created following this assessment, with refinements being made based on top-down inputs from senior management in an iterative manner. Throughout this process, initially non-prioritized risks are frequently reassessed to check for eventual relevant risks that could have been overlooked.

During the following year, the Risk Management team then performs reviews and issues the corresponding reports. The output of the reviews performed as part of the audit plan are action plans to mitigate risks and improve business performance. The Audit Committee reviews the internal audit reports and monitors the implementation of the related action plans.

Inside information

The Company has adopted the Disclosure of Inside Information Policy governing the procedures and internal control for the handling and dissemination of inside information, in which the utilization of confidential or inside information for securities dealing is strictly forbidden. An information disclosure working group is established to monitor and evaluate the risks of leakage of inside information, and to handle and disseminate inside information as appropriate in accordance with the information disclosure policy.

Effectiveness of internal controls and risk management systems

With the assistance of the Audit Committee, the Board has conducted a review of the Company's internal controls and risk management systems for the year ended 31 December 2019, including financial, operational and compliance controls and was satisfied with the effectiveness and adequacy of the systems. This review included a review of the adequacy of the resources, staff qualifications and experiences of the Company's accounting, internal audit and financial reporting functions.

Corporate Governance Report

This was achieved primarily through:

- approving work plan of the Risk Management team;
- reviewing the findings, recommendations, and follow-up actions of internal audit work;
- reviewing quarterly risk management activity reports;
- reviewing statutory and operational compliance reports;
- reviewing controls and procedures of financial reporting and the annual financial statements; and
- reviewing the nature, scope of work and reports of the external auditor.

The Board is also pleased to inform the Shareholders that it has received a confirmation from senior management on the effectiveness of the Company's risk management and internal control systems.

Risks and uncertainties

The Company has identified the below as the principal risk areas that affect its business operations. Such risks are not exhaustive. There may be other risks in addition to those shown below which are not known to the Company or which may not be material now but could turn out to be material in the future.

Principal risks	Mitigating measures
Economic conditions and risks common to the beer industry: The Company's business is affected by the global economy and the typically more volatile economics of emerging markets. Any adverse economic developments in Asia Pacific could result in reduced consumption or sales prices of the Company's products, which in turn could result in lower revenue and reduced profit. Consumption of beer and other alcohol and non-alcohol beverages in many of the jurisdictions in which the Company operates is closely linked to general economic condition, with levels of consumption tending to rise during periods of rising per capita income and fall during periods of declining per capita income.	The Company closely reviews and monitors the sales and distribution of its products and developments in key markets. Where necessary, the Company may make commercial investments and reallocate resources to support its brands and route to market in the event of adverse economic or other developments.

Principal risks	Mitigating measures
Political and regulatory exposure: The Company's business is highly regulated in the countries in which it operates. The Company is required to comply with laws and maintain various approvals, licenses and permits in order to conduct its operations in the various countries in which it does business. These approvals, licenses and permits are granted upon satisfactory compliance with, among other things, applicable laws and regulations in relation to alcohol sales and distribution, food safety, hygiene, environmental protection and fire workplace safety. Such approvals, licenses and permits are subject to termination or non-renewal. The Company's business also faces customary risks of operating in developing countries such as political instability or insurrection, external interference, financial risks, changes in government policies, amongst others.	The Company's legal, compliance and corporate affairs department actively monitors its compliance with applicable laws and regulatory requirements in order to ensure that it is operating in an ethical and legally compliant way and has all the necessary approvals licenses and permits to operate its business. The Company also ensures it has adequate internal resources to ensure that it can react to legal and regulatory changes, changes in political climate or economic trends in a timely fashion.
Competition and changing consumer preferences: The Company competes with both global and regional brewers and other drinks companies, and its products compete with other beverages. Brewers, as well as other players in the beverage industry, compete mainly on the basis of brand image, price, quality, distribution networks and customer service. Competition with brewers and producers of alternative beverages in the Company's various markets in Asia Pacific and an increase in the purchasing power of players in the Company's distribution channels could cause the Company to reduce pricing, increase capital investment, increase marketing and other expenditures and/or prevent the Company from increasing prices to recover higher costs, thereby causing the Company to reduce margins or lose market share.	The Company maintains strong relationships with its distributors to ensure that it has visibility over points of sale and consumer preferences. The Company continually assesses consumer needs and values with a view to identifying the key characteristics of consumers in each beer category so as to position its existing brands or to introduce new brands in order to address the characteristics of each category. The Company may also look to product innovations to adapt to changing consumer preferences. The Company continues to place a high value on R&D priorities. This includes launching new liquids, new packaging and new dispensing systems, as well as updating and enhancing existing products and packaging. The Company further continues to allocate resources to its Asia Pacific Zone Innovation and Technology Center which includes a research pilot brewery, a package lab, a central lab, regional R&D office and training centers.

Corporate Governance Report

Principal risks	Mitigating measures
Reputation of our brands: The Company relies on the reputation of its brands. An event, or series of events, that materially damage the reputation of one or more of the Company's brands could have an adverse effect on the value of that brand and subsequent revenues from that brand or business. One example would be parallel imports of our products in significant amounts which may negatively impact our volumes and reputation as such importers may not take proper steps to maintain the quality of our products.	The Company continues to take steps to enhance its reputation e.g. closely monitor and take action on parallel import activities. The Company strives to create lasting value for its business partners and stakeholders by utilizing its scale, resources and people to address the needs of communities. Examples of the Company's programs to address the needs of its communities include "Accelerator 100+ project" which pilots innovative solutions across our operations and supply chain in key markets and programs relating to smart agriculture, water stewardship, circular packaging and climate action.
Financial risk: The Company's operations are exposed to certain financial risks such as credit risk and foreign currency risks. Such risks may have an adverse effect on the Company's results of operations and financial condition.	The Company mitigates its exposure through a variety of mechanisms, including, among other things, establishing minimum counterparty credit ratings and entering into transactions only with financial institutions of investment grade rating. The Company monitors counterparty credit exposures closely and reviews any external downgrade in credit rating immediately. In respect of foreign currency risk, the Company may hedge operating transactions which are reasonably expected to occur (e.g., cost of goods sold and selling, general and administrative expenses) within the forecast period determined in our financial risk management policy. Operating transactions that are considered certain to occur are hedged without any time limits.

Investor Relations

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, the non-financial statement, financial results announcements, briefings, and the section of the Company's website which is dedicated to investors. In accordance with the Listing Rules, the Company adopted a shareholders communication policy with effect from the Listing Date which is published on the Company's website and can be found at http://www.budweiserapac.com/.

Enquiries from Shareholders for the Board or the Company may be directed to the Company's investor relations team at IR@budweiserapac.com.

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

Shareholders' Rights

Convening of extraordinary general meeting by Shareholders

According to the Articles of Association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing written requisition to the Board or the Secretary of the Company at Tricor Services Limited of 15/F, International Trade Tower, 348 Kwun Tong Road, Kowloon, Hong Kong (Attention: Mr. Frank Wang and Ms. Chan Wai Ling, Joint Company Secretaries of Budweiser Brewing Company APAC Limited), to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

Procedures for Shareholders to propose a person for election as a Director of the Company

The Procedure to Propose Persons for Election as Directors has been adopted by the Company and is published on the Company's website at http://www.budweiserapac.com/.

Changes to the Company's Articles of Association

The Company's current Articles of Association was amended and restated on 9 September 2019, and is available for viewing on the websites of the Company and the Stock Exchange. There had been no significant changes to the Company's Articles of Association since such amendment and restatement.

REPORT OF THE DIRECTORS


哈尔滨啤酒
HARBIN
冰萃 CRYSTAL
净含量: 500ml

Report of the Directors

The Directors present this report together with the audited financial statements of the Company for the year ended 31 December 2019.

Principal Businesses and Activities

The Company is an investment holding company and the principal activities of its subsidiaries are set out in Note 34 to the consolidated financial statements.

The Group is principally engaged in the brewing and distribution of beer. The Group produces, imports, markets, distributes and sells a portfolio of beer brands owned or licensed by the Company, including Budweiser, Stella Artois and Corona, Hoegaarden, Cass and Harbin. The Group also produces, markets, distributes and sells other non-beer beverages. The Group's operations are primarily located in China, South Korea, India, Vietnam and other Asia Pacific regions.

There were no significant changes in the nature of Group's activities during the reporting period.

Business Review

A review of the Group's business during the year, including a discussion of the Group's future business development, an analysis of the Group's performance using key performance indicators during the year and particulars of important events affecting the Group that have occurred since the end of the financial year are set out in the sections headed "Letter to Shareholders" and "Management Discussion and Analysis" on pages 2 to 7 and pages 18 to 39 of this annual report.

Details of the Group's principal risks and uncertainties that may adversely impact the Group's performance and the execution of its strategies are disclosed within the "Risk Management and Internal Control" section of the "Corporate Governance Report" on pages 59 to 64 of this annual report.

In addition, information of the Group's corporate governance practices, environmental policies and performance and the Group's relationship with its employees, customers, and suppliers can be found in the sections headed "Corporate Governance Report" and "Environmental and Social Report" on pages 50 to 65 and pages 90 to 96 respectively of this annual report.

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those having significant impact on the Group. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and business unit from time to time. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

Financial Results

The Group's results for the year ended 31 December 2019 are set out in the consolidated income statement on page 103 of this annual report. The financial summary for the Group for the most recent three financial years, as set out on page 178 of this annual report.

The financial position of the Group for the year ended 31 December 2019 is set out in the consolidated statement of financial position on pages 105 to 106 of this annual report.

The consolidated cash flow of the Group for the year ended 31 December 2019 is set out in the consolidated statement of cash flows on pages 108 to 109 of this annual report.

A discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the year is set out in "Management Discussion and Analysis" section of this annual report on pages 18 to 39 of this annual report.

Reserves

Details of movements in the reserves of the Company during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity on page 107 of this annual report and in Note 21 to the consolidated financial statements, respectively.

Dividend Policy

The Company's current dividend policy is to declare a dividend representing in aggregate at least 25% of the consolidated profit attributable to the Group's equity holders, excluding exceptional items, such as restructuring charges, gains or losses on business disposals and impairment charges, subject to applicable legal provisions relating to distributable profit.

Final dividends are approved at the annual general meeting. The Board may pay an interim dividend in accordance with Cayman Islands law. Any dividends will be paid on the dates communicated by the Board.

Final Dividend

The Board resolved to recommend a final dividend of US dollar 2.63 cents per share for the year ended 31 December 2019 (the "**2019 Final Dividend**") with an aggregate amount of approximately 348 million US dollar to Shareholders, subject to the approval by the Shareholders at the forthcoming Annual General Meeting ("**AGM**"). Shareholders registered under the principal register of members in the Cayman Islands will automatically receive their dividends in US dollars while Shareholders registered under the Hong Kong branch register of members will automatically receive their dividends in Hong Kong dollars.

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2019 are set out in Note 21 to the consolidated financial statements.

Report of the Directors

Principal Subsidiaries

Details of the Company's principal subsidiaries are set out in Note 34 to the consolidated financial statements.

Distributable Reserves

As at 31 December 2019, the amount of reserves available for distribution of the Company was approximately 43,527 million US dollar, of which 348 million US dollar has been proposed as final dividend for the year.

Bank Borrowings and Other Borrowings

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2019 are set out in Note 22 to the consolidated financial statements.

Use of Proceeds from Listing

The Company listed on the Stock Exchange on the Listing Date. The proceeds raised from the Company's Listing were approximately $5,749 million US dollar (including proceeds from the exercise of the over-allotment option). The entire proceeds were used to satisfy loans due to AB InBev's subsidiaries.

Donations

During the year ended 31 December 2019, the Company and its subsidiaries made charitable donations of approximately $356,000 US dollar.

Major Customers and Suppliers

For the year ended 31 December 2019, purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases.

For the year ended 31 December 2019, the Group's five largest customers accounted for less than 30% of the Group's total revenue.

Property, Plant and Equipment

Details of changes in property, plant and equipment of the Company are set out in Note 12 to the consolidated financial statements.

Directors

The Directors during the reporting period and up to the date of this annual report are:

Executive Directors

Jan Craps (Co-Chair of the Board)
Renrong Wang (Frank)

Non-executive Directors

Carlos Brito (Co-Chair of the Board)
Felipe Dutra

Independent Non-executive Directors

Martin Cubbon
Mun Tak Marjorie Yang
Katherine King-suen Tsang

Details of the Directors are set out within the section headed "Directors and Senior Management" on pages 42 to 46 of this annual report.

Directors' Material Interests in Transactions, Arrangements and Contracts of Significance

There were no transactions, arrangements or contracts of significance in relation to the Group's business, to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which the Directors or their connected entities had a material interest, whether directly or indirectly, as at the end of the year or at any time during the reporting period.

Service Contracts

None of the Directors that will be standing for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the reporting period.

Directors' Interests in Competing Businesses

Save for (i) the director or management positions held by certain Directors in AB InBev and Ambev as disclosed in the section "Directors and Senior Management" of this annual report, and (ii) the interests of certain Directors in the shares of AB InBev and Ambev as set out in the section "Interests and Short Positions of Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" below, the Directors have confirmed that other than business of the Group, none of the Directors holds any interest in business which directly or indirectly competes or is likely to compete with the business of the Group.

Report of the Directors

Interests and Short Positions of Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests and short position in accordance with such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register kept by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(i) Interest in Shares of the Company

Long Position in Shares of the Company					
Name of Director or Chief Executive Officer	Nature of Interest	Ordinary shares	Number of shares – Unvested and conditional options and RSUs	Total	Approximate percentage of the issued share capital of the Company (%)
Jan Craps	Beneficial Owner	Nil	1,083,984	1,083,984[(1)]	0.01
Renrong Wang (Frank)	Beneficial Owner	Nil	153,371	153,371[(2)]	0.00

Notes:
(1) Mr. Jan Craps was interested in 1,083,984 Shares that may be delivered upon the exercise of share options.
(2) Mr. Renrong Wang (Frank) was interested in 153,371 Shares that may be delivered upon the exercise of share options.

(ii) Interest in Shares of Associated Corporations

Long Position in Shares of AB InBev (Associated Corporation)					
Name of Director or Chief Executive Officer	Nature of Interest	Ordinary shares	Number of shares – Unvested and conditional options and RSUs	Total	Approximate percentage of the issued share capital of AB InBev (%)
Jan Craps	Beneficial Owner	13,752	1,126,587	1,140,339[(1)]	0.06
Renrong Wang (Frank)	Beneficial Owner	19,801	99,811	119,612[(2)]	0.01

Notes:
(1) The 1,140,339 shares of AB InBev that Mr. Jan Craps was interested in include 13,752 ordinary shares, 1,008,939 shares that may be delivered upon the exercise of options, and 117,648 RSUs.
(2) The 119,612 shares of AB InBev that Mr. Renrong Wang (Frank) was interested in include 19,801 ordinary shares, 55,726 shares that may be delivered upon the exercise of options, and 44,085 RSUs.

Long Position in Shares of Ambev (Associated Corporation)					
Name of Director or Chief Executive Officer	Nature of Interest	Common shares	Number of shares – Unvested and conditional options and RSUs	Total	Approximate percentage of the issued share capital of Ambev (%)
Jan Craps	Beneficial Owner	139,258	758,850	898,108[(1)]	0.01

Notes:
(1) The 898,108 shares of Ambev that Mr. Jan Craps was interested in include 139,258 common shares, 544,120 shares that may be issued upon the exercise of options, and 214,730 RSUs.

The SFC has granted the Non-executive Directors a partial exemption from strict compliance with Part XV (other than Divisions 5, 11 and 12) of the SFO in respect of the duty to disclose interests in AB InBev and Ambev as "associated corporations" (as defined in the SFO) of the Company. In addition, the Stock Exchange has granted to the Company a waiver from strict compliance with the requirement to disclose the disclosure of interests information in respect of the Non-executive Directors' interests in AB InBev and Ambev in the annual and interim reports of the Company under Paragraph 13 of Appendix 16 of the Listing Rules. See the section headed "*Waivers from strict compliance with the Listing Rules and exemptions from strict compliance with the Companies (WUMP) Ordinance and the SFO*" of the Company's Prospectus.

Save as disclosed above, so far as the Directors are aware, as at 31 December 2019, none of the Directors or chief executives and their respective associates had any interest or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders

So far as the Directors are aware, as at 31 December 2019, the following person (other than the Directors and chief executives) had interest or short positions in the shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company:

No.	Name of Shareholder	Capacity	Number of Shares Held or Interested	Approximate percentage of the issued share capital of the Company (%)
1.	AB InBev Brewing Company (APAC) Limited[(1)]	Beneficial owner	11,550,938,000	87.22
2.	AB InBev Brewing Company Holdings (APAC) Limited[(1)]	Interest of a controlled corporation	11,550,938,000	87.22
3.	AB InBev America Holdings (APAC) Limited[(1)]	Interest of a controlled corporation	11,550,938,000	87.22

Report of the Directors

No.	Name of Shareholder	Capacity	Number of Shares Held or Interested	Approximate percentage of the issued share capital of the Company (%)
4.	AB InBev America Holdings Limited(1)	Interest of a controlled corporation	11,550,938,000	87.22
5.	Anheuser-Busch America Investments, LLC(1)	Interest of a controlled corporation	11,550,938,000	87.22
6.	Anheuser-Busch Worldwide Investments, Inc.(1)	Interest of a controlled corporation	11,550,938,000	87.22
7.	Anheuser-Busch Latin Inc.(1)	Interest of a controlled corporation	11,550,938,000	87.22
8.	Anheuser-Busch International, Inc.(1)	Interest of a controlled corporation	11,550,938,000	87.22
9.	Anheuser-Busch Americas Holdings LLC(1)	Interest of a controlled corporation	11,550,938,000	87.22
10.	Anheuser-Busch Companies, LLC(1)	Interest of a controlled corporation	11,550,938,000	87.22
11.	Anheuser-Busch InBev Worldwide, Inc.(1)	Interest of a controlled corporation	11,550,938,000	87.22
12.	Anheuser-Busch InBev USA, LLC(1)	Interest of a controlled corporation	11,550,938,000	87.22
13.	Anheuser-Busch North American Holding Corporation (1)	Interest of a controlled corporation	11,550,938,000	87.22
14.	InBev International Inc.(1)	Interest of a controlled corporation	11,550,938,000	87.22
15.	ABI Southern Holdings Limited(1)	Interest of a controlled corporation	11,550,938,000	87.22
16.	AB InBev Holdings Limited(1)	Interest of a controlled corporation	11,550,938,000	87.22
17.	ABI SAB Group Holding Limited(1)	Interest of a controlled corporation	11,550,938,000	87.22
18.	ABI UK Holding 2 Limited(1)	Interest of a controlled corporation	11,550,938,000	87.22
19.	ABI UK Holding 1 Limited(1)	Interest of a controlled corporation	11,550,938,000	87.22
20.	AB InBev UK Finance Company Limited(1)	Interest of a controlled corporation	11,550,938,000	87.22
21.	Anheuser-Busch Europe Ltd(1)	Interest of a controlled corporation	11,550,938,000	87.22
22.	Ambrew S.à.R.L.(1)	Interest of a controlled corporation	11,550,938,000	87.22
23.	AB InBev Nederland Holding B.V.(1)	Interest of a controlled corporation	11,550,938,000	87.22

No.	Name of Shareholder	Capacity	Number of Shares Held or Interested	Approximate percentage of the issued share capital of the Company (%)
24.	Interbrew International B.V.(1)	Interest of a controlled corporation	11,550,938,000	87.22
25.	AB InBev Investment Holding Company Limited(1)	Interest of a controlled corporation	11,550,938,000	87.22
26.	AB InBev(1)(2)(a)(b)(c)(3)	Interest of a controlled corporation	11,550,938,000	87.22
27.	Stichting Anheuser-Busch InBev (the "**Stichting**")(2)(a)(b)(c)	Interest of a controlled corporation	11,550,938,000	87.22
28.	EPS Participations S.à.R.L. ("**EPS Participations**")(2)(a)(c)	Interest of a controlled corporation	11,550,938,000	87.22
29.	Eugénie Patri Sébastien (EPS) S.A. ("**EPS**")(2)(a)(c)	Interest of a controlled corporation	11,550,938,000	87.22
30.	BRC S.á.R.L. ("**BRC**")(2)(a)(c)(3)	Interest of a controlled corporation	11,550,938,000	87.22
31.	BR Global(3)	Interest of a controlled corporation	11,550,938,000	87.22
32.	S-BR Global(3)	Interest of a controlled corporation	11,550,938,000	87.22
33.	Inpar Investment Fund(3)	Interest of a controlled corporation	11,550,938,000	87.22
34.	Santa Erika(3)	Interest of a controlled corporation	11,550,938,000	87.22
35.	Stichting Enable(3)	Interest of a controlled corporation	11,550,938,000	87.22
36.	Inpar VOF(3)	Interest of a controlled corporation	11,550,938,000	87.22
37.	Jorge Paulo Lemann(3)	Interest of a controlled corporation	11,550,938,000	87.22

Notes:

(1) AB InBev Intermediate Holding Companies

AB InBev owns 100% of the issued share capital of Ambrew S.à.r.l, which is incorporated under the laws of Luxembourg, which owns 100% of the issued share capital of Anheuser-Busch Europe Ltd., which is incorporated under the laws of the UK. Anheuser-Busch Europe Ltd. owns 100% of the issued share capital of AB InBev UK Finance Company Limited, which is incorporated under the laws of the UK.

AB InBev and Ambrew S.à.r.l. owns 99.99% and 0.01%, respectively, of the issued and outstanding equity interests in InBev Belgium BV, an entity organized under the laws of Belgium. AB InBev and InBev Belgium BV own, respectively, 67.62% and 32.38% of the issued and outstanding equity interests in AB InBev Nederland Holding B.V., an entity organized under the laws of the Netherlands.

Report of the Directors

AB InBev, AB InBev UK Finance Company Limited, InBev Belgium BV and AB InBev Nederland Holding B.V. own, respectively, 26.51%, 9.33%, 4.46% and 59.70% of the issued share capital in ABI UK Holding 1 Limited, which is incorporated under the laws of the UK. ABI UK Holding 1 Limited indirectly owns 100% of the issued share capital of InBev International Inc., a Delaware corporation, through a chain of wholly-owned subsidiaries (i.e. ABI UK Holding 2 Limited, ABI SAB Group Holding Limited, AB InBev Holdings Limited and ABI Southern Holdings Limited, which are all incorporated under the laws of the UK).

InBev International Inc. and ABI Southern Holdings Limited own, respectively, 80% and 20% of the issued share capital of Anheuser-Busch North American Holding Corporation, a Delaware corporation. Anheuser-Busch North American Holding Corporation indirectly owns 100% of the issued share capital of Anheuser-Busch Companies, LLC, a Delaware limited liability company, through a chain of wholly-owned subsidiaries (i.e. Anheuser-Busch InBev USA, LLC and Anheuser-Busch Worldwide, Inc., which are both incorporated under the laws of Delaware).

ABI Southern Holdings Limited, Anheuser-Busch Worldwide, Inc. and Anheuser-Busch Companies, LLC own, in the aggregate, 100% of the issued share capital in Anheuser-Busch Americas Holdings LLC, which is incorporated under the laws of Delaware. Its share capital held by ABI Southern Holdings Limited, Anheuser-Busch Worldwide, Inc. and Anheuser-Busch Companies, LLC represent, in each case respectively, approximately 21.65%, approximately 27.5%, and approximately 50.85% of the total voting power of all classes of issued and outstanding membership interests entitled to vote and approximately 24.29%, approximately 36.5%, and approximately 39.21% of the total value of all issued and outstanding classes of the membership interests of Anheuser-Busch Americas Holdings LLC.

Anheuser-Busch Americas Holdings LLC indirectly owns 100% of the issued share capital of AB InBev America Holdings (APAC) Limited, which is incorporated under the laws of Hong Kong, through a chain of wholly-owned subsidiaries (i.e. Anheuser-Busch International, Inc., Anheuser-Busch Latin Inc., Anheuser-Busch Worldwide Investments, Inc. and Anheuser-Busch America Investments, LLC, which are all incorporated under the laws of Delaware, and AB InBev America Holdings Limited, which is incorporated under the laws of the UK).

The issued share capital of AB InBev Brewing Company Holdings (APAC) Limited, an entity organized under the laws of the UK, is held by AB InBev America Holdings (APAC) Limited as to 68.8%, AB InBev Investment Holding Company Limited as to 4.7%, and Interbrew International B.V. as to 26.5% and which represent collectively 100% of the total voting power of all classes of issued and outstanding equity interests in AB InBev Brewing Company Holdings (APAC) Limited. AB InBev Brewing Company Holdings (APAC) Limited owns 100% of the issued and outstanding equity interests in AB InBev Brewing Company (APAC) Limited, an entity organized under the laws of the UK. AB InBev Brewing Company (APAC) Limited owned 87.22% of the issued share capital of the Company as at 31 December 2019.

Therefore, each of the entities in this note which are also disclosed in the table above are deemed to be interested in the Shares held by AB InBev Brewing Company (APAC) Limited.

(2) (a) The 2016 Shareholders' Agreement

BRC, EPS and EPS Participations are companies incorporated under Luxembourg law. As per (i) the most recent transparency declarations made pursuant to article 6 of the Belgian law of 2 May 2007 on the notification of significant shareholdings on 13 March 2019 and (ii) notifications made to AB InBev on a voluntary basis prior to 15 December 2019, such entities hold respectively 37,598,146, 99,999 and 131,898,152 ordinary shares of AB InBev, representing respectively 1.86%, 0.00% and 6.53% of the voting rights attached to AB InBev's outstanding shares, respectively.

The Stichting is a stichting incorporated under Dutch law. As per the most recent transparency declarations made pursuant to article 6 of the Belgian law of 2 May 2007 on the notification of significant shareholdings on 13 March 2019, it holds 663,074,832 ordinary shares of AB InBev, representing 32.84% of the voting rights attached to AB InBev's outstanding shares (including the 59,862,847 treasury shares held by AB InBev and its subsidiaries Brandbrew S.A., Brandbev S.à.R.L. and Mexbrew S.à.R.L.).

According to a shareholders' agreement entered into among the Stichting, EPS, EPS Participations S.à R.L., BRC and Rayvax Société d'Investissements SA ("**Rayvax**") (a company incorporated under Belgian law, which as per the latest transparency declarations made to AB InBev on 13 March 2019 pursuant to the Belgian law of 2 May 2007, held 24,158 ordinary shares of AB InBev) (the "**2016 Shareholders' Agreement**"), BRC and EPS/EPS Participations jointly and equally exercise control over the Stichting and the shares held by the Stichting. Pursuant to the 2016 Shareholders' Agreement, the Stichting's board of directors will propose to AB InBev's shareholders' meeting nine candidates for appointment as AB InBev's directors, among which each of, on the one hand, BRC and, on the other hand, EPS and EPS Participations will have the right to nominate four candidates, and one candidate will be nominated by the Stichting's board of directors.

The 2016 Shareholders' Agreement also requires EPS, EPS Participations, BRC and Rayvax, as well as any other holder of certificates issued by the Stichting, to vote their AB InBev shares in the same manner as the shares held by the Stichting.

(b) The Fonds Voting Agreement

The Stichting also entered into a voting agreement with Fonds Baillet Latour SPRL (now renamed Fonds Baillet Latour SC) and Fonds Voorzitter Verhelst. As per the latest transparency declarations made to AB InBev on 13 March 2019 pursuant to the Belgian law of 2 May 2007, such entities hold 5,485,415 and 6,997,665 ordinary shares of AB InBev, representing 0.27% and 0.35% of the voting rights attached to AB InBev's outstanding shares, respectively (the "**Fonds Voting Agreement**").

Under the Fonds Voting Agreement, consensus is required for all items that are submitted to the approval of any of shareholders' meetings of AB InBev. If the parties fail to reach a consensus, each of Fonds Baillet Latour SC and Fonds Voorzitter Verhelst will vote their AB InBev shares in the same manner as the Stichting.

Accordingly, Stichting controls the voting rights attached to the shares of AB InBev held by Fonds Baillet Latour SC and Fonds Voorzitter Verhelst.

(c) Total number of voting rights controlled by the Stichting and related parties

On the basis of the latest shareholding information received by AB InBev and taking into account the ordinary shares of AB InBev held by Fonds Baillet Latour SC and Fonds Voorzitter Verhelst, EPS, EPS Participations, BRC and the Stichting control in aggregate 41.85% of the voting rights attached to AB InBev's outstanding shares and are deemed to be interested in the Shares AB InBev is interested in.

(3) BRC is controlled indirectly by Jorge Paulo Lemann, Carlos Alberto da Veiga Sicupira and Marcel Herrmann Telles and directly by S-BR Global, that in its turn directly holds a 83.64% interest and indirectly holds a 16.36% interest in BRC through BR Global, a wholly-owned subsidiary of S-BR Global. Marcel Herrmann Telles indirectly owns a 24.728% interest in S-BR Global through a chain of wholly-owned subsidiaries (i.e. Santa Maria Isabel CV, Alfta T Holding, MCMT Holdings and Santa Paciencia). Carlos Alberto Sicupira indirectly owns a 19.927% interest in S-BR Global through a chain of wholly-owned subsidiaries (i.e. FS Holdings, CCCHHS Holding Ltd. and Santa Heloisa). Jorge Paulo Lemann indirectly owns a 55.345% interest in S-BR Global through a chain of wholly-owned subsidiaries (i.e. Inpar VOF, Stichting Enable, Inpar Investment Fund and Santa Erika). Jorge Paulo Lemann also holds a 0.01% interest in AB InBev through its wholly owned subsidiary Olia 2 AG. On the basis of the latest shareholding information received by AB InBev, the ultimate control of BRC is jointly owned by Marcel Herrmann Telles, Carlos Alberto Sicupira and Jorge Paulo Lemann. In spite of such disclosure, Marcel Herrmann Telles and Carlos Alberto Sicupira do not have an interest to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Debenture Issued

The Company has not issued any debentures during the year ended 31 December 2019.

Report of the Directors

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the reporting period.

Equity-Linked Agreement

Save as disclosed in this annual report, the Company did not enter into any equity-linked agreement during the year ended 31 December 2019.

Permitted Indemnity Provision

Pursuant to the Memorandum and Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duty in their offices. Such permitted indemnity provision has been in force during the reporting period.

The Company has maintained appropriate liability insurance for its Directors and senior management. The permitted indemnity provisions are set out in such liability insurance.

Sufficiency of Public Float

The Stock Exchange has granted the Company a waiver from the minimum public float requirement under Rule 8.08(1) of the Listing Rules such that the minimum public float may be such percentage of shares to be held by the public immediately after the completion of the Listing as increased from the issuance of additional shares to public shareholders as a result of the exercise of the over-allotment option.

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a public float of no less than approximately 12.61% of the issued shares as at the date of this annual report, which is the minimum public float of the Company.

Purchase, Sale or Redemption of the Company's Listed Securities

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date.

Since the Listing Date and up to 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Memorandum and Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Employees, Remuneration and Pension Scheme

The tables below set out the number of full-time employees as at 31 December 2019 broken down by geographic location.

	As of 31 December 2019
China	24,545
South Korea	1,952
India	1,643
Vietnam	335
Other	71
Total	**28,546**

Many of the Group's employees in South Korea, India and China are represented by unions, with a variety of collective bargaining agreements in place. Generally, the Group considers that relationships between Group and the unions that represent the employees are respectful. During the reporting period, the Group was not involved in any labor disputes having a material adverse effect on the Group's business.

In compliance with the Corporate Governance Code, the Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Company offers the Executive Directors and senior management, with remuneration in the form of salaries, allowances, benefits in kind, performance-related bonuses, share based payments, pensions, and other social insurance benefits. Independent Non-executive Directors receive compensation according to their duties (including serving as members or chair of the Board committees).

To support the Company's culture that recognizes and values results, the Company offers the employees competitive salaries benchmarked to fixed mid-market local salaries, combined with variable incentive schemes based on individual performance and performance of the business entity in which they work. Senior employees above a certain level are eligible to participate in certain share-based incentive plans.

Report of the Directors

Remuneration of Directors is determined based on their roles and duties and with reference to the Company's remuneration policy and the prevailing market conditions, subject to the approval of the Shareholders' general meetings. Details of remuneration of Directors and the five highest paid individuals of the Company for the year ended 31 December 2019 are set out in Note 33 and 8 to the consolidated financial statements, respectively.

Share Award Schemes

The Company adopted four Share Award Schemes on 9 September 2019, namely:
(a) the Discretionary Long-Term Incentive Plan (the "**LTI Plan**"),
(b) the Discretionary Restricted Stock Units Plan (the "**RSU Plan**");
(c) the Share-Based Compensation Plan (the "**SBC Plan**"); and
(d) the People Bet Plan (the "**PB Plan**").

The terms of the RSU Plan, SBC Plan and PB Plan are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve the grant of options by the Company to subscribe for new shares.

The Company believes that a business is only as good as its people. The Company's success is driven by the fact that the employees see themselves as owners and stakeholders of the business. For this reason, the Company is strong advocate for awarding employees. The Share Award Schemes provide employees with the opportunity to become true owners of the business by acquiring Shares and therefore aligning their interests with those of the Company.

To facilitate the administration of the Share Award Schemes, an aggregate of 23,000,000 Shares were issued to the trustee of the Share Award Schemes on the Listing Date. Such Shares are held by the trustee on trust for the purpose of satisfying awards granted under the respective Share Award Schemes.

1. The LTI Plan

(a) Participants of the LTI Plan

Share options under the LTI Plan may be offered to such eligible employees and directors of the Group as the Remuneration Committee shall select in its sole discretion, on and subject to the terms of the LTI Plan and the Listing Rules.

(b) Maximum entitlement of each participant under the LTI Plan

The maximum entitlement of each participant under the LTI Plan shall not exceed any limits that may be imposed under the Listing Rules from time to time as amended and in force.

In accordance with the current Listing Rules, no share options may be granted to any eligible persons which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to such eligible person under the LTI Plan (including exercised, canceled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company at the date of such new grant. Any grant of further share options above this limit is subject to certain requirements as stipulated in the Listing Rules.

(c) The period within which the shares must be taken up under a share option under the LTI Plan

A share option is exercisable, subject to certain restrictions contained in the LTI Plan and the terms on which the share option is granted at any time during the applicable share option period which may be determined by the Board.

(d) The minimum period for which a share option must be held before it can be exercised under the LTI Plan

There is no general requirement on the minimum period for which a share option must be held or the performance targets which must be achieved before a share option can be exercised under the LTI Plan. At the time of granting a share option, however, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations in relation thereto, including the minimum period for which the share option must be held and/or the performance targets to be achieved, additional to those expressly set forth in the LTI Plan as the Board may in its absolute discretion determine.

(e) The amount payable on application or acceptance of the share option and the period within which payments or calls must or may be made or loans for such purposes must be repaid under the LTI Plan

There is no amount payable on application or acceptance of the share option and the period within which payments or calls must or may be made or loans for such purposes must be repaid.

(f) The basis of determining the exercise price under the LTI Plan

The exercise price of a share option is determined by the Board and shall not be less than the highest of:

(i) the closing price of the Company's Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant of the relevant share option;

(ii) an amount equivalent to the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the relevant share option; and

(iii) the nominal value of the Company's Shares.

(g) Maximum number of Shares available

The maximum aggregate number of shares with respect to which share options may be granted pursuant to the LTIP ("**LTIP Mandate Limit**") is calculated in accordance with the following formula:

LTIP Mandate Limit = A – B – C

where:

A = 10% of the Shares in issue on the date the Company was listed or 10% of the Shares in issue as at the date of approval of the renewed limit (the "**LTIP New Approval Date**");

B = the maximum aggregate number of Shares that may be transferred upon the exercise of share options that have already been granted pursuant to the LTI Plan; and

C = the maximum aggregate number of Shares that may be transferred upon the vesting or exercise of any awards that have already been granted pursuant to any other Share Award Schemes.

The total number of Shares available for issue upon exercise of all outstanding share options already granted under the LTI Plan is 9,325,375 shares, representing 0.07% of the issued share capital of the Company as at 31 December 2019.

Report of the Directors

As of 31 December 2019, the total number of Shares available for grant under the LTI Plan was 1,289,606,152 Shares, representing approximately 9.74% of the issued share capital of the Company as of 31 December 2019.

(h) The remaining life of the LTI Plan

Unless terminated earlier by the Company, the LTI Plan will be valid and effective for a term of 10 years from 9 September 2019.

(i) Details of the options granted and outstanding under the LTI Plan

Name of grantees of options	Date of Grant	Number of Shares underlying options outstanding at 1 January 2019	Options granted during the period from 1 January 2019 to 31 December 2019	Options vested during the period from 1 January 2019 to 31 December 2019	Options cancelled during the period from 1 January 2019 to 31 December 2019	Number of Shares underlying options outstanding at 31 December 2019	To be vested on 4 December 2024
Jan Craps	4 December 2019[1]	–	1,083,984	–	–	1,083,984	1,083,984
Renrong Wang (Frank)	4 December 2019[1]	–	153,371	–	–	153,371	153,371
Other employees	4 December 2019[1]	–	8,088,020	–	–	8,088,020	8,088,020
Total of all grantees		–	9,325,375	–	–	9,325,375	9,325,375

Note (1): The exercise price of the options granted on 4 December 2019 is HK$28.34 per share. The closing price of the shares on the grant date was HK$28.20 per Share. The average closing price of the Shares for the five business days immediately preceding the grant date was HK$28.34 per Share. The options will be valid from the grant date until 3 December 2029. The options will vest on the 5th anniversary of the date of grant and will be exercisable until the expiry date of the validity period. No options granted on 4 December 2019 have lapsed or have been exercised during the FY19.

2. The other Share Award Schemes

Apart from the LTI Plan, the Board may at its discretion under:

(a) the RSU Plan, grant RSUs to any employee and/or director of the Group;

(b) the PB Plan, offer the opportunity to acquire locked-up shares and the grant of “matching” RSUs to eligible employees; and

(c) the SBC Plan, send offer letters to the employees and directors of the Group to enable them to make an election between receiving their bonuses (if any) in the form of cash, locked-up shares or a mixture of cash and locked-up shares. The SBC Plan participants who opt for locked-up shares or a mixture of cash and locked-up shares will purchase the Shares at a discount, which is paid in the form of RSUs (rounded down to the nearest share). As an additional reward, such SBC Plan participants will receive from the Company additional “matching” RSUs (rounded down to the nearest share).

During the year ended 31 December 2019, a total of 3,632,673 of RSUs were granted under the RSU Plan, of which 2,558,420 RSUs were granted to certain directors of the Company’s subsidiaries and 1,074,253 RSUs were granted to other eligible employees.

Unless terminated earlier by the Company, the RSU Plan, the PB Plan and the SBC Plan will be valid and effective for a term of 10 years from 9 September 2019.

See Appendix V "Statutory and General Information" in the Company's Prospectus for further details of the RSU Plan, the PB Plan and the SBC Plan.

Non-Competition Undertaking

The Directors consider that there is clear and adequate delineation between the business of the Group and the AB InBev Group as the Group has different geographical and market focuses.

On 12 September 2019, the Company has entered into the Deed of Non-competition with AB InBev which safeguards the independence of the respective businesses of the Group and the AB InBev Group. Under the Deed of Non-competition, AB InBev agreed that, except for certain excluded business, with effect from the Listing Date, it will not engage in businesses relating to the manufacture, import, sale and/or distribution of beer (both alcohol and non-alcohol), cider and alcohol malt-based beverages in the APAC Territories and will also cause its subsidiaries (other than our Group) not to engage in such businesses in the APAC Territories, except for limited exceptions.

Under the Deed of Non-competition, the Company also agreed that, except for certain excluded business, with effect from the Listing Date, the Group will not engage in businesses relating to the manufacture, import, sale and/or distribution of beer (both alcohol and non-alcohol), cider and other alcohol malt-based beverages outside of the APAC Territories and will also cause its subsidiaries not to engage in such businesses outside of the APAC Territories, except for limited exceptions.

AB InBev has provided the Company with a written confirmation in respect of compliance by the AB InBev group with the obligations and undertakings under the Deed of Non-Competition during the period between 30 September 2019 to 31 December 2019 and its consent to the inclusion of such confirmation in this annual report.

The Independent Non-executive Directors have reviewed the Deed of Non-competition and the confirmation provided by AB InBev, and has confirmed their view that AB InBev has complied with the terms of the Deed of Non-Competition during the period between 30 September 2019 to 31 December 2019.

During the reporting period, the Directors (including the Independent Non-executive Directors) did not make any decisions in relation to whether to exercise or terminate an option for purchase and take up or waive any new business opportunity.

Report of the Directors

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

Connected Transactions

During the year ended 31 December 2019, the Group has entered into certain transactions with members of AB InBev Group. AB InBev is the Company's controlling shareholder, and members of the AB InBev Group are the Company's connected persons. Accordingly, transactions entered into between members of the AB InBev Group and the Group constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Summary of the Non-Exempt Continuing Connected Transactions

During the year ended 31 December 2019, the following non-exempt continuing connected transactions occurred between the Group and the AB InBev Group:

	Transaction	Date and term of the agreement	Transaction value for 2019 in US dollar	Annual cap for 2019 in US dollar
(1)	Licenses granted to the Group to import the AB InBev Group's products for sale under the Importation Framework Agreement	Entered into on 2 July 2019, as amended on 12 September 2019, effective on the Listing Date for a 25 year term	148 million	N/A[1]
(2)	Licenses granted to the Group to manufacture the AB InBev Group's products for sale under the Production Framework Agreement	Entered into on 2 July 2019, as amended on 12 September 2019, effective on the Listing Date for a 25 year term	60 million	N/A[1]
(3)	Deposits in the cash pooling arrangements of the AB InBev Group under the Cash Pooling Framework Agreement	Entered into on 2 July 2019 as amended on 12 September 2019, effective on the Listing Date for a term of eight years, renewable automatically for successive eight year terms	165 million (highest daily amount of deposits, including interest accrued)	1.95 billion (maximum daily caps on the amount of deposits, including interest accrued)
(4)	Strategic services provided to the Group under the Strategic Services Framework Agreement	Entered into on 2 July 2019, effective on the Listing Date for a 10 year term	22 million	34 million
(5)	Procurement services provided to the Group under the Procurement Services Framework Agreement	Entered into on 2 July 2019, effective on the Listing Date for a 10 year term	37 million	59 million
(6)	Administrative services provided to the Group under the General Services Framework Agreement	Entered into on 2 July 2019, effective on the Listing Date for a three year term	Included in the transaction value of strategic services provided to the Group	Included under annual cap for strategic services provided to the Group

Note

(1) The Stock Exchange has granted the Company a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the annual cap requirements.

The key terms of the non-exempt continuing connected transaction are set out below.

(1) Licenses granted to the Group to import, sell, distribute, advertise and promote AB InBev Products for sale in the APAC Territories

Under the Importation Framework Agreement, AB InBev will procure members of the AB InBev Group as licensors to grant, subject to limited exceptions, the relevant members of the Group: (i) exclusive licenses to import for sale, sell and distribute and (ii) non-exclusive licenses to advertise and promote AB InBev Products in the APAC Territories.

Pricing policy

The import price (being the AB InBev Product's cost per unit of volume imported into the APAC Territories) will be determined among the respective parties from time to time on an arm's length basis.

When an AB InBev Product is first introduced to a new territory under the Importation Framework Agreement or if an existing license is renewed, AB InBev and the Company will agree the import price of such product. The import price for each product will be agreed by AB InBev and the Company based on (a) production cost of the imported product and (b) a mark-up, covering (i) an allocation of certain indirect costs (including logistics cost, overhead cost, depreciation, amortization and other costs as AB InBev and the Company may deem relevant), (ii) distribution royalty component determined using the pricing policies set out for royalty under the Licenses to Manufacture (see (2) below), (iii) an exporter margin set by reference to a transfer pricing benchmark report, or by reference to a historical import agreement entered into between AB InBev and a third party considering such other factors as AB InBev and the Company may deem relevant in the end-market.

(2) Licenses granted to the Group to manufacture, sell, distribute, advertise and promote AB InBev Products for sale in the APAC Territories

Under the Production Framework Agreement, AB InBev will procure members of the AB InBev Group as licensors to grant, subject to limited exceptions, the relevant members of the Group: (i) exclusive licenses to manufacture AB InBev Products in consumer-ready form for sale in the APAC Territories, and sell and distribute AB InBev Products in the APAC Territories and (ii) non-exclusive licenses to advertise and promote AB InBev Products in the APAC Territories.

Pricing policy

The license royalty will be determined among the respective parties from time to time on an arm's length basis. The Company and AB InBev will periodically (and in any event not less than once every five years) retain an accounting or tax advisor to produce a benchmark transfer pricing report on global pricing and royalties in the applicable product markets to determine the appropriate market rate royalty bands for products positioned in each relevant market with respect to the royalty under the licenses to manufacture.

Report of the Directors

When an AB InBev Product is first introduced to a new territory under the Production Framework Agreement or if an existing license is renewed, AB InBev and the Company will agree the royalty of such product. The license royalty will be assessed as a percentage of net sales. AB InBev and the Company will agree the royalty to each AB InBev Product based on the benchmark transfer pricing report with reference to (a) the positioning of the relevant AB InBev Product in the end-market, (b) comparable royalties charged by the AB InBev Group to current or recently former third-parties, (c) the duration such product has been present in the relevant market and the product introduction strategy, and (d) such other factors as AB InBev and the Company may deem relevant.

(3) Deposits made by the Group in the AB InBev Group's cash pooling accounts

Under the Cash Pooling Framework Agreement, the Company participates in the AB InBev Group's physical and notional cash pooling arrangements (the "**Cash Pooling Arrangements**"), under which funds from different participants are consolidated into the AB InBev Group's cash pool accounts with the London branch of J.P. Morgan Chase Bank N.A. (the "**Pooling Agent**"). Participants may make deposits or draw overdrafts from the cash pool (which also allows participants access to an overdraft facility) and Group members and AB InBev Group members are treated the same under the arrangements.

There are two forms of cash pooling in place: physical and notional. The physical Cash Pooling Arrangement consolidates cash from the physical pool participants' bank accounts on a regular basis into a centralized cash pool account. The notional Cash Pooling Arrangement notionally consolidates the cash balance from the notional cash pool participants' own bank accounts and does not transfer the bank balance to a centralized cash pool account.

As certain members of the Group participate in the AB InBev Group's notional cash pooling with the Pooling Agent or in the physical cash pooling with Cobrew NV/SA, a wholly-owned subsidiary of the AB InBev Group, as cash pool header, or receive current account services from Cobrew NV/SA, such financial assistance constitutes a continuing connected transaction with the AB InBev Group.

Pricing policy for deposits

In respect of the notional cash pool, the deposit interest rates offered by the Pooling Agent will be the base rate of the Pooling Agent for overnight cash positions. Such base rate will be calculated by reference to (i) the prevailing overnight market rates and (ii) the competitive rates driven by the Pooling Agent's ability to deploy cash in daily currency markets.

In respect of the physical cash pool, the deposit interest rates offered by Cobrew NV/SA will be set with reference to the deposit interest rates offered by the Pooling Agent or by other third party financial institution providing cash pooling services to Cobrew NV/SA.

The terms of the deposits offered to the Group by the Pooling Agent or Cobrew NV/SA in respect of the notional and physical cash pool will at all times reflect the terms offered by the Pooling Agent or by other third party financial institution to the AB InBev Group for deposits (without any additional charges) and will be on arm's length basis.

(4) Strategic services provided by the AB InBev Group to the Group

Under the Strategic Services Framework Agreement, AB InBev will procure members of the AB InBev Group to provide strategic advice and support services in relation to (1) management support, (2) marketing, (3) supply, (4) human resources, (5) finance, (6) legal and corporate affairs, and (7) innovation and R&D, to the Group.

Pricing Policy

The payment terms will be determined among the respective parties from time to time on an arm's length basis. The costs incurred by the AB InBev Group to deliver the strategic services (except for certain innovation and R&D services) will be centralized and mapped onto cost and functional centers, which will be on-charged to the service recipients. Where services directly benefit a particular service recipient, the costs will be directly charged to such service recipient. Where services benefit a number of service recipients (some of which are subsidiaries of the Group and others are other subsidiaries of AB InBev), the costs will be allocated based on specific direct cost drivers, or indirect allocation keys, which reasonably reflect the service recipients' economic benefit from such services. AB InBev and the Company will agree the direct and indirect allocation keys intended to reflect the benefit received by each subsidiary of the Company from such strategic service.

The allocated costs will be subject to a mark-up determined on an arm's length basis in accordance with accepted methods of transfer pricing, such as comparable uncontrolled price transfer pricing method, in accordance with a benchmark transfer pricing report prepared by an accounting or tax advisor.

For technical value engineering projects provided under innovation and R&D services, the fee charged will be calculated based on a percentage of savings generated by the technological innovations made available to the service recipient. The initial fee in 2019 was based on 50% of savings generated by such technological innovations.

(5) Procurement services provided by the AB InBev Group to the Group

Under the Procurement Services Framework Agreement, AB InBev will procure members of the AB InBev Group to provide procurement services to members of the Group.

Pricing policy

The payment terms will be determined among the respective parties from time to time on an arm's length basis. The fee charged to provide the procurement services will be calculated based on a percentage of realized and demonstrated annual cost savings capped by a percentage of the service recipient's direct and indirect annual spend for products and services in respect of which the service recipient receives procurement services. Realized and demonstrated annual cost savings is composed of variable industrial cost savings, indirect savings (cost savings or increase, cost avoidance, value creation), and variable logistic costs savings.

The initial fee in 2019 was based on 50% of realized and demonstrated annual cost savings capped by 6% of the service recipient's annual strategic spend categories.

(6) Administrative services provided by the AB InBev Group to the Group

Under the General Services Framework Agreement, AB InBev will procure members of the AB InBev Group to provide IT services, outsourcing services and other administrative services, to members of the Group.

Report of the Directors

Pricing policy

The payment terms will be determined among the respective parties from time to time on an arm's length basis in accordance to the pricing policy for strategic services provided by the AB InBev Group to the Group above in (4).

For further details of the non-exempt continuing connected transactions, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions" of the Company's Prospectus and Note 30 of the consolidated financial statements.

Save as disclosed above, none of other related-party transactions set out in Note 30 of the consolidated financial statements constitute connected transactions or continuing connected transactions that are required to be disclosed under the Listing Rules. Save as disclosed in this report, the Company has no connected transactions which are required to be disclosed under Chapter 14A of the Listing Rules from the Listing Date to 31 December 2019. The Company confirms that it has complied with the requirements of Chapter 14A of the Listing Rules in relation to all connected transactions and continuing connected transactions to which the Company was a party during 2019.

Confirmation from the Independent Non-executive Directors

The Company's Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions:

(1) were entered into in the ordinary and usual course of business of the Group;
(2) were on normal commercial terms;
(3) were in accordance with the terms of the relevant agreements, which are in the interest of the Group and our Shareholders as a whole, and fair and reasonable; and
(4) did not exceed the annual cap amounts (where applicable).

Confirmation from the auditor

The auditor of the Company has been engaged to report on the non-exempt continuing connected transactions of the Company in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified assurance report containing their conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules:

(1) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's Directors;
(2) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
(3) with respect to the aggregate amount of each of the non-exempt continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

The Company has also provided a copy of the auditor's assurance report to the Stock Exchange.

Relationship with Stakeholders

The Company recognizes that the Group's employees, customers and business associates are key to the Group's sustainability journey. The Group strives to achieve corporate sustainability through coordinating with its employees closely, providing quality services for customers, collaborating with business partners and supporting the community. For further details, please refer to the "Environmental and Social Report" section of this annual report on pages 90 to 96.

By order of the Board
Budweiser Brewing Company APAC Limited

Carlos Brito
Co-Chair

ENVIRONMENTAL AND SOCIAL REPORT


FRESH
CASS
FRESH
500 mL
NON PASTEURIZED
ULTIMATE FRESHNESS

ENVIRONMENTAL AND SOCIAL REPORT

The Company's dream is to Bring People Together for a Better World. The Company strives to ensure that it produces the highest-quality products, provides the best consumer experience and maximizes shareholder value by building the strongest competitive and financial position. Through the Company's reach, resources and energy, the Company aims to address the needs of its communities through improving environmental and social sustainability.

With operations across Asia Pacific and the broad portfolio of brands, the Company has an ability to develop and strengthen its connections with its consumers through consumers having a positive impression of its Company and its brands. The Company is committed to acting as a positive force in addressing the needs of, and improving lives in, its communities, and also because the Company believes consumers' association of the Company and the brands with their community is a positive factor in their buying decisions.

The Company depends on natural resources to brew its beers and strives to use resources responsibly and preserve them for the future. That is why the Company factors sustainability into how it does business, including how it sources water, energy and raw materials. The Company develops innovative programs across its supply chain to improve its sustainability performance with its business partners. To improve lives in the communities it is part of, the Company also supports the farmers and small retailers in its value chain to help them be more productive. To facilitate progress, the Company's sustainability and procurement activities are combined under a single function led by a member of the senior leadership team. Examples of the Company's programs to promote environmental sustainability and address the needs of its communities are set out below.

Environment

Smart agriculture

The Company participates in the AB InBev-developed SmartBarley program to cultivate quality, local barley by accelerating innovations that can improve crop productivity and enhance grower livelihoods. In India, a SmartBarley team supports over 4,000 farmers to increase crop performance, reduce environmental impact and introduce varieties of barley better geared for India's climate and soil. This program helps reduce water usage by teaching farmers more efficient irrigation practices.

Water stewardship

The Company continues to scale its water stewardship efforts by engaging in watershed protection measures, in partnership with local stakeholders, in high-stress areas across China and India. Together with local authorities, other water users and non-governmental organizations ("**NGOs**"), the Company has devoted financial and technical resources to green infrastructure initiatives, conservation and reforestation projects, habitat restoration efforts and soil conservation techniques. Through these initiatives, the Company seeks to increase water security and improve water quality and availability for its communities and operations. In 2019, the Company implemented innovative technology and process improvements across our footprint to reduce water usage in our breweries by 5%. The Company also invested in watershed protection programs and increased water availability in high-stress areas across China and India. For example, The Company is building water harvesting structures, such as check dams, recharge wells and storage ponds, in India to help our communities prepare for the next monsoon season.

The Company also donates reclaimed water to communities for agricultural irrigation, watering public parks, street cleaning and other needs, thus replacing fresh water that would otherwise be used.

In Mongolia, the Company's South Korea team has been working together with NGOs on the Cass Forest of Hope program to help prevent desertification.

Circular Packaging

The Company is driving and protecting the circular economy of its industry by increasing the amount of reused or recycled materials in its packaging and recovering more post-consumer waste. The Company aims to work with partners, suppliers and retailers across its value chain in this effort. Packaging, such as returnable glass bottles, is an important component of this effort, and increasing recycling, recovery and reuse also helps avoid loss of value. In 2019, the Company's beer volumes were 56% in returnable packaging, and of the remaining, 46% was made of recycled content.

Climate Action

The Company is committed to significantly increasing its use of purchased renewable energy in its breweries and vertical operations to reduce carbon emissions and long-term energy cost, improve air quality and create jobs in the renewable energy industry. The Company has a Group-wide goal to have 100% of its purchased electricity come from renewable sources by 2025.

In China, the Company installed solar panels notably on the roof of its Putian brewery, which is one of its largest in China. The Company aims to complete installation of solar panels and wind power generators at 16 breweries in China by the end of 2020.

The Company is launching initiatives in Vietnam in order to meet the Group-wide goal of purchasing 100% of its energy from renewable sources by 2025.

ENVIRONMENTAL AND SOCIAL REPORT

Community

Volunteering

Volunteering is one of the best ways to bring people together for a better world. In communities around Asia Pacific, both large and small, the Company is passionate about empowering communities. The Company encourages these efforts through regional and local volunteering initiatives that are often also open to the Company's families, friends, partners and consumers. The Company does its business in its local communities and is committed to giving back to the local communities.

The Company is committed to donate for the establishment of a Hope School in each city in China where it builds a brewery. The Company has already helped to build various Hope Schools. In Harbin City, the Company donated to the establishment of three robot classrooms in three separate schools to help school children develop knowledge of artificial intelligence and robotics technology. The Company also ensures that its alcohol drinks and products are not in any way marketed to children in schools.

To help our communities, we have implemented innovative solutions to tackle age-old problems. In India, to enhance road safety, create a safer environment for women and combat rising crime, we have installed streetlights and CCTV cameras in vulnerable areas. We have worked with schools in these communities to put up boundary walls and open computer labs, build restrooms and classrooms, and donate books and basic infrastructure such as benches and chairs. Simple interventions such as building restrooms in the schools have enabled girls to attend school on a regular basis.

Brewing beers is reliant on a healthy, natural environment, as well as on thriving communities. That is why the Company is striving for a world where natural resources are preserved for the future. With the Company's strong brand portfolio, the Company believes it is bringing people together in ways that few others can. By building common ground, strengthening human connections and helping its consumers share meaningful experiences, the Company believes that the brands will remain relevant and become and remain market leaders.

People

The Company has a diverse workforce with over 25 nationalities, speaking 40 languages, and 40% are women. Driving greater diversity is a priority for us and we recognize that this takes commitment, hard work and time.

The Company focuses on attracting and retaining the best talent. The Company's approach is to enhance its people's skills and potential through education and training, competitive compensation and a culture of ownership that rewards people for taking responsibility and producing results. The Company's ownership culture unites its people, providing the necessary energy, commitment and alignment needed to pursue our Dream to Bring People Together for a Better World.

In order to encourage continued motivation and a culture of ownership, as well as reduce turnover, improve productivity and create more overall employee satisfaction, the Company places a strong emphasis on employee engagement. This starts with measuring engagement to create a benchmark to identify gaps and then build initiatives to improve engagement moving forward. The Company's engagement survey results and participation rates continue to be well above industry averages.

Suppliers

The Company's suppliers are required to comply with the Company's Human Rights Policy and Responsible Sourcing Policy which outlines its approach to respecting human rights and labor rights across its operations and our value chain.

The Company's Human Rights Policy makes it clear that it prohibits all forms of child and forced labor within the Company's operations and supply chain. The Company is committed to implementing these policies in the course of existing business, and in the assessment and development of new business opportunities. The Company is also committed to working with business partners that share these values and commit to implementing this policy in their operations.

The Company's Responsible Sourcing Policy seeks to ensure that its business partners also prohibit child labor and forced labor in their practices. We include a clause in our supplier contracts, providing us with leverage if we identify any issues with the supplier and enables us to terminate the contract and end our relationship with a supplier for serious breaches of our Responsible Sourcing Policy.

ENVIRONMENTAL AND SOCIAL REPORT

Customers

The Company's customers include distributors and selected retailers. The Company has cultivated a large business-to-business network where customers, such as distributors, place orders directly with us (and then sell our products on-line via AB InBev's business-to-business platform to customers), in addition to the Company's growing business-to-consumer network where it engages with consumers directly.

In particular, the Company depends on effective distribution networks to deliver products to consumers. Generally, distributors purchase products from the Company and then re-sell them either to other distributors or to points of sale.

As a customer-driven organization, the Company has programs for professional relationship-building with our customers in all our markets regardless of the chosen distribution method. This happens directly, for example, by way of key customer account management, and indirectly, by way of distributor excellence programs. For example, in China, highly qualified distributors may be eligible for programs such as our Budweiser Elite Club and Sapphire Club, which entitle such distributors to incentives such as additional training.

Reporting

The Company will report in detail on its environmental sustainability performance in a separate Environmental, Social and Governance Report (the "**ESG Report**") which will be published prior to 1 June 2020. The ESG Report will follow the ESG Reporting Guide for listed companies issued by Hong Kong Exchanges and Clearing Limited. The ESG Report will be available at http://www.budweiserapac.com/en/investor.html.

Independent Auditor's Report

pwc 羅兵咸永道

To the Shareholders of Budweiser Brewing Company APAC Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Budweiser Brewing Company APAC Limited (the "Company") and its subsidiaries (the "Group") set out on pages 103 to 177, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent Auditor's Report

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 of the current period. 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 matters identified in our audit are summarized as follows:

- Accounting for Asia Pacific West trade incentives; and
- Impairment assessment of goodwill and indefinite life intangible assets.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Accounting for Asia Pacific West trade incentives</td></tr>
<tr><td>Refer to Notes 2.22.1, 4 and 5 to the consolidated financial statements.

The Group has a large number of revenue contracts with customers in Asia Pacific West which include trade incentives in the form of volume rebates, discounts, and promotion and marketing incentives. The recognition of trade incentives is determined with reference to the terms of the customer contract.

The assessment of the nature of the trade incentives and whether the payments made to customers are in exchange for distinct goods or services determines the respective accounting treatment.

This is a key audit matter because the large number of customer contracts in Asia Pacific West and the different forms of trade incentives require significant auditor attention in performing the audit.</td><td>Our procedures in relation to the accounting for Asia Pacific West trade incentives included:

• Assessing the appropriateness of the Group's revenue recognition policy, including the recognition of trade incentives, in accordance with IFRS;

• Obtaining an understanding of the internal controls relating to management's process for revenue recognition, including the assessment of trade incentives, and for selected countries, testing the operating effectiveness of these internal controls;

• Checking, for a sample of transactions, the application of management's revenue recognition policy and whether trade incentives were appropriately classified by agreeing to input data, such as underlying contracts;

• Testing the accuracy and completeness of trade incentive related liabilities by confirming a sample of customer balances directly with customers or alternatively testing to supporting documentation;

• Performing analytical review procedures to identify whether any unusual trends were present; and

• Testing the appropriateness of manual journal entries and adjustments associated with revenue recognition and trade incentives on a sample basis.

Based on the work performed, we found the accounting for the Group's Asia Pacific West trade incentives to be supported by the available evidence.</td></tr>
</table>

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and indefinite life intangible assets	
Refer to Notes 2.4, 2.7, 2.13, 4, 13 and 14 to the consolidated financial statements. The Group has recorded goodwill and intangible assets with an indefinite useful life of US$8,462 million as at 31 December 2019, which represents 55% of the Group's total assets as of that date. An annual impairment assessment is conducted by management in accordance with IAS 36. Management has determined the recoverable amounts of the cash-generating units based on value in use calculations using discounted cash flow models. The Group uses the strategic plans based on external sources in respect of macro-economic assumptions, industry trends, inflation and foreign exchange rates, past experience and identified initiatives to forecast market share, revenue, variable and fixed cost, capital expenditure and working capital assumptions. Management completed their annual impairment assessment in the fourth quarter of 2019 and concluded no impairment charge was necessary. This is a key audit matter because of the amount of the goodwill and indefinite life intangible assets and the judgment required by management in developing the valuation estimates of the recoverable amount of related cash-generating units, including assumptions underlying the cash flow projections based on the strategic plans, terminal growth rates and discount rates.	Our procedures in relation to the impairment assessment of goodwill and indefinite life intangible assets included: • Assessing the appropriateness of the impairment testing methodology in accordance with IAS 36; • Testing the mathematical accuracy of the discounted cash flow model; • Reconciling input data in the discounted cash flow models to supporting evidence, such as approved strategic plans; • Assessing the discount rates used, based on our knowledge of the industry, with the involvement of our in-house valuation experts; • Assessing the key assumptions used by management by comparing these to historical results and external data, such as expected inflation rates and external market growth expectations; • Analyzing management's sensitivities in the models, and assessing the potential impact of reasonably possible downside changes in key assumptions; and • Considering whether the key assumptions have been appropriately disclosed in the consolidated financial statements. Based on the work performed, we found management's impairment assessment of goodwill and indefinite life intangible assets to be supported by the available evidence.

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

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

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

Independent Auditor's Report

From the matters communicated with 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 public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is James Noel Crockford.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 February 2020

Consolidated Income Statement

US$ million	Notes	2019	2018
Revenue	5	**6,546**	**6,740**
Cost of sales		(3,058)	(3,240)
Gross profit		**3,488**	**3,500**
Distribution expenses		(519)	(540)
Sales and marketing expenses		(1,358)	(1,421)
Administrative expenses		(382)	(395)
Other operating income	6	237	154
Profit from operations before non-recurring items		**1,466**	**1,298**
Non-recurring items	7	(98)	(42)
Profit from operations		**1,368**	**1,256**
Finance costs	10	(39)	(22)
Non-recurring finance costs	7&10	(8)	(21)
Finance income	10	23	25
Net finance cost		**(24)**	**(18)**
Share of results of associates	16	23	17
Profit before tax		**1,367**	**1,255**
Income tax expense	11	(459)	(296)
Profit for the year		**908**	**959**
Profit of the year attributable to:			
Equity holders of Budweiser APAC		898	958
Non-controlling interests		10	1
Earnings per share from profit attributable to the ordinary equity holders of Budweiser APAC:			
Basic and diluted earnings per share	32	7.50	8.29

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

Consolidated Statement of Comprehensive Income

US$ million	2019	2018
Profit for the year	**908**	**959**
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Re-measurement of post-employment benefits	2	(4)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(227)	(495)
Losses on cash flow hedges	(4)	(1)
Other comprehensive loss, net of tax	**(229)**	**(500)**
Total comprehensive income	**679**	**459**
Total comprehensive income of the year attributable to:		
Equity holders of Budweiser APAC	665	458
Non-controlling interests	14	1

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

Consolidated Statement of Financial Position

US$ million	Notes	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	12	3,638	3,790
Goodwill	13	6,921	6,718
Intangible assets	14	1,708	1,718
Land use rights	15	247	276
Investment in associates	16	418	403
Deferred tax assets	17	215	222
Trade and other receivables	19	53	55
Total non-current assets		**13,200**	**13,182**
Current assets			
Inventories	18	438	417
Trade and other receivables	19	652	580
Derivatives		14	12
Cash pooling deposits to AB InBev		40	–
Cash and cash equivalents	20	952	1,667
Other current assets		12	4
Total current assets		**2,108**	**2,680**
Total assets		**15,308**	**15,862**
EQUITY AND LIABILITIES			
Equity			
Issued capital	21	–	–
Share premium	21	43,591	–
Capital reserve	21	(36,213)	8,391
Other reserves	21	(556)	(322)
Retained earnings		3,014	2,084
Equity attributable to equity holders of Budweiser APAC		9,836	10,153
Non-controlling interests		48	19
Total equity		**9,884**	**10,172**
Non-current liabilities			
Interest-bearing loans and borrowings	22	28	30
Loans with AB InBev	22	–	473
Deferred tax liabilities	17	484	408
Trade and other payables	26	135	29
Provisions	25	136	250
Income tax payable		110	1
Other non-current liabilities		38	31
Total non-current liabilities		**931**	**1,222**

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

Consolidated Statement of Financial Position

US$ million	Notes	2019	2018
Current liabilities			
Bank overdrafts	20	75	45
Cash pooling loans from AB InBev		50	–
Interest-bearing loans and borrowings	22	160	67
Trade and other payables	26	2,594	2,547
Payables with AB InBev	26	222	405
Consigned packaging and contract liabilities	26	1,260	1,284
Derivatives		10	1
Provisions	25	13	18
Income tax payable		109	101
Total current liabilities		**4,493**	**4,468**
Total equity and liabilities		**15,308**	**15,862**

The consolidated financial statements on pages 103 to 177 were approved by the Board of Directors on 26 February 2020 and were signed on its behalf

Jan Craps
Director

Renrong Wang (Frank)
Director

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

Consolidated Statement of Changes in Equity

	Attributable to equity holders of Budweiser APAC							
US$ million	Issued capital	Share premium	Capital reserve	Other Reserves	Retained earnings[1]	Total	Non-controlling interests	Total equity
1 January 2018	**–**	**–**	**9,024**	**178**	**1,126**	**10,328**	**19**	**10,347**
Profit for the year	**–**	**–**	**–**	**–**	**958**	**958**	**1**	**959**
Other comprehensive income/(loss)								
Exchange loss on translation of foreign operations	–	–	–	(495)	–	(495)	–	(495)
Other	–	–	–	(5)	–	(5)	–	(5)
Total comprehensive income/(loss)	**–**	**–**	**–**	**(500)**	**958**	**458**	**1**	**459**
Share-based payments	–	–	14	–	–	14	–	14
Dividends	–	–	(398)	–	–	(398)	(3)	(401)
Movement in contribution	–	–	(249)	–	–	(249)	–	(249)
Purchase of non-controlling interests	–	–	–	–	–	–	2	2
31 December 2018	**–**	**–**	**8,391**	**(322)**	**2,084**	**10,153**	**19**	**10,172**
1 January 2019	**–**	**–**	**8,391**	**(322)**	**2,084**	**10,153**	**19**	**10,172**
Profit for the year	**–**	**–**	**–**	**–**	**898**	**898**	**10**	**908**
Other comprehensive income/(loss)								
Exchange (loss)/gain on translation of foreign operations	–	–	–	(231)	–	(231)	4	(227)
Other	–	–	–	(2)	–	(2)	–	(2)
Total comprehensive income/(loss)	**–**	**–**	**–**	**(233)**	**898**	**665**	**14**	**679**
Purchase of non-controlling interests	–	–	–	–	–	–	15	15
Share-based payments	–	–	–	–	32	32	–	32
Dividends	–	–	(976)	–	–	(976)	–	(976)
Movement in contribution	–	–	(121)	–	–	(121)	–	(121)
Effect of reorganization	–	37,903	(43,507)	(1)	–	(5,605)	–	(5,605)
Issuance of ordinary shares for Listing	–	5,749	–	–	–	5,749	–	5,749
Costs associated with Listing	–	(61)	–	–	–	(61)	–	(61)
31 December 2019	**–**	**43,591**	**(36,213)**	**(556)**	**3,014**	**9,836**	**48**	**9,884**

(1) Included in retained earnings are legal statutory reserves in the People's Republic of China ("PRC") of 146 million US dollar as of 31 December 2019 and 137 million US dollar as of 31 December 2018. Under the relevant PRC laws and regulations, PRC companies are required to allocate 10% of the company's net profit to a fund, until such a fund reaches 50% of the companies registered capital. The statutory reserve fund can be utilized upon approval by the relevant authorities, to offset against accumulated losses or increase registered capital of the company, provided that such fund is maintained at a minimum of 25% of the companies registered capital.

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

Consolidated Statement of Cash Flows

US$ million	Notes	2019	2018
OPERATING ACTIVITIES			
Profit for the year		**908**	**959**
Depreciation, amortization and impairment	12,14,15	655	696
Impairment losses on receivables, inventories and other assets		8	17
Additions in provisions and employee benefits		40	46
Net finance cost	10	24	18
Net gain on disposal of property, plant and equipment and intangible assets	6	(105)	(44)
Equity-settled share-based payment expense	8	30	14
Income tax expense	11	459	296
Other non-cash items included in profit		7	(16)
Share of results of associates	16	(23)	(17)
Cash flow from operating activities before changes in working capital and use of provisions		**2,003**	**1,969**
(Increase)/decrease in trade and other receivables		(58)	88
Increase in inventories		(5)	(84)
(Decrease)/increase in trade and other payables		(108)	116
Decrease in provisions and pensions		(38)	(66)
Cash generated from operations		**1,794**	**2,023**
Interest paid (third parties)		(19)	(23)
Interest paid (Loans with AB InBev)		(18)	(24)
Interest received		23	26
Dividends received		10	10
Income tax paid		(411)	(328)
CASH FLOW FROM OPERATING ACTIVITIES		**1,379**	**1,684**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(611)	(599)
Proceeds from sale of property, plant and equipment and intangible assets		93	131
Acquisition of subsidiaries, net of cash acquired	27	(176)	(4)
Acquisition of other investments		(9)	–
Placement of cash pooling deposits to AB InBev		(40)	–
Proceeds from cash pooling loans from AB InBev		50	–
CASH FLOW USED IN INVESTING ACTIVITIES		**(693)**	**(472)**

US$ million	Notes	2019	2018
FINANCING ACTIVITIES			
Repayment of contributed capital by AB InBev		(6,000)	(233)
Proceeds from contributed capital by AB InBev		187	–
Proceeds from issuance of shares for Listing		5,695	–
Repayment of loans with AB InBev	22	(5,992)	(545)
Proceeds from loans with AB InBev	22	5,605	–
Dividends paid to AB InBev	20	(976)	(391)
Dividends paid to non-controlling interest holders		–	(3)
Proceeds from borrowings	22	236	52
Repayments of borrowings	22	(138)	(55)
Payments of lease liabilities	22	(30)	(30)
Cash net finance income/(cost) other than interest		14	(32)
CASH FLOW USED IN FINANCING ACTIVITIES		**(1,399)**	**(1,237)**
Net decrease in cash and cash equivalents		**(713)**	**(25)**
Cash and cash equivalents less bank overdrafts at beginning of the year	20	1,622	1,714
Effect of exchange rate fluctuations		(32)	(67)
Cash and cash equivalents less bank overdrafts at end of the year	20	**877**	**1,622**

Non-cash financing activities in relation to the issue of ordinary shares as part of the reorganization and loans capitalized upon Listing are disclosed in Note 21 and Note 22, respectively.

Notes to the Consolidated Financial Statements

1. General Information and Basis of Presentation

1.1 General Information

Budweiser Brewing Company APAC Limited (the "Company") was incorporated in the Cayman Islands on 10 April 2019 as an exempted company with limited liability under the laws of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681 Grand Cayman, KY1-1111, Cayman Islands. The Company's shares were listed on The Stock Exchange of Hong Kong on 30 September 2019.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the brewing and distribution of beer in the Asia Pacific region.

The immediate parent company of the Group is AB InBev Brewing Company (APAC) Limited which is a private company incorporated in the United Kingdom.

The ultimate parent company of the Group is Anheuser-Busch InBev SA/NV (referred to as "AB InBev"), which 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).

1.2 Basis of Presentation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and the IFRS Interpretations Committee ("IFRIC") interpretations applicable to companies reporting under IFRS which are mandatory for the financial periods beginning on 1 January 2019 and the disclosure requirements of the Hong Kong Company Ordinance. The consolidated financial statements have been prepared under the historical cost convention unless otherwise stated. The Group adopted IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments effective on 1 January 2017. The adoption of these standards did not have a material impact on the Group.

To prepare for the Listing on the Main Board of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group via a reorganization which was completed on 30 September 2019. The reorganization steps include the transfer at fair market value of the subsidiaries of China, South Korea, India, Vietnam, Japan and New Zealand primarily in exchange for the issue of shares to or settlement of loans with AB InBev. AB InBev provided the funds to the Company through loan contributions to enable it to complete the reorganization. The entire proceeds from the Listing of 5,749 million US dollar were used to immediately repay loans due to AB InBev subsidiaries. The reorganization is a recapitalization of a single business on the basis that prior to Listing the businesses were previously managed as a single business and the legal structure was reorganized to reflect this.

The Group had not historically formed a separate legal Group before the completion of the reorganization. Up to the date of the Listing, the financial information was prepared on a combined basis. A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined Group recognizes the assets, liabilities and equity of the combining entities at the carrying amounts in the consolidated financial statements of the controlling party, AB InBev, prior to the common control reorganization. The consolidated income statement includes the results of each of the combined entities from the earliest date presented. Intercompany transactions, balances and unrealized gains/losses on transactions between Group companies are elimination on combination.

As further explained in Note 3.1.5, and in line with many other Fast Moving Consumer Goods ("FMCG") companies, the Group intentionally maintains a net current liabilities position as part of its business model despite strong operating cash flows. Therefore, the group's net current liabilities position is not indicative of any going concern issues, and the consolidated financial statements have been prepared on a going concern basis.

2. Summary of significant accounting policies

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

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

New and amendments to IFRSs in issue but not yet effective

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning after 1 January 2020, but have not been early adopted by the Group.

		Effective for annual periods beginning on or after
IFRS 3 (Amendments)	Definition of a Business	1 January 2020
IFRS 1 and IAS 8 (Amendments)	Definition of Materiality	1 January 2020
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associates and Joint Ventures	To be determined

Notes to the Consolidated Financial Statements

2.1 Functional and presentation currency

Unless otherwise specified, all financial information has been presented in US dollar and has been rounded to the nearest million (presentation currency). The financial information of all reporting units included in the consolidated financial statements are measured using the currency of the primary environment in which the reporting unit operates (functional currency).

2.2 Principles of consolidation

Subsidiaries are those entities controlled by the Group. The Group 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 the Group 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 information 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 Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Associates are undertakings in which the Group 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. Associates 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 the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations on behalf of the associate.

The financial information of the Group's subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. When the financial information of the associates is prepared as of a different date from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's financial information. In such cases, the difference between the end of the reporting period of these associates from the Group's reporting period is no more than three months.

Transactions with non-controlling interests are treated as transactions with equity owners. 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 associates are eliminated to the extent of the Group'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.

2.3 Foreign currency translation

2.3.1 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 date of the statement of financial position 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 consolidated 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.

2.3.2 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 date of the statement of financial position. Income statements of foreign operations 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 owners' equity are translated at historical rates. Exchange differences arising from the translation of owners' equity to US dollar at year-end exchange rates are taken to other comprehensive income (translation reserves).

2.3.3 Exchange rates

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

1 US dollar equals:	Closing rate 31 December 2019	Closing rate 31 December 2018	Average rate 31 December 2019	Average rate 31 December 2018
Chinese yuan	6.961461	6.877787	6.886265	6.581607
South Korean won	1,154.546044	1,115.404853	1,160.698309	1,095.462435
India	71.275122	69.790794	70.242937	67.563873

Notes to the Consolidated Financial Statements

2.4 Intangible assets

2.4.1 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.

2.4.2 Commercial intangibles

A distribution right is the right for the Group to supply a customer and the commitment by the customer to purchase from the Group. 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.

2.4.3 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 consolidated 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.

2.4.4 Other intangible assets

Other intangible assets acquired by the Group are recognized at cost less accumulated amortization and impairment losses. These are initially recognized at the present value of the future payments and subsequently measured at cost less accumulated amortization and impairment losses.

2.4.5 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.

2.4.6 Amortization

Intangible assets with a finite life are amortized using the straight-line method over their estimated useful lives. Commercial intangibles, which comprise of licenses, brewing, supply and distribution rights and other intangible assets, are amortized over the year 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 the Group purchases distribution rights for its own products the life of these rights is considered indefinite, unless the Group has a plan to discontinue the related brand or distribution.

On average, the amortization periods of intangible assets with finite useful lives are as follows:

Commercial intangibles (Licenses, brewing, supply and distribution rights)	5 to 14 years or the unexpired term of the rights
Software and capitalized development cost	3 to 7 years
Other intangible assets	5 to 20 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 2.13).

2.4.7 Gains and losses on sale

Net gains and losses on sale of intangible assets are presented in the consolidated income statement as other operating income/(expenses). Net gains and losses are recognized in the consolidated 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.

2.5 Land use rights

Land use rights represent payments to third parties to acquire leasehold land interests in China. These payments are stated at cost and are depreciated over the shorter of 80 years or the unexpired lease term. The lease term includes the renewal period if the lease can be renewed by the Group without significant cost.

2.6 Business combinations

The Group 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 Group'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 the Group'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.

Notes to the Consolidated Financial Statements

2.7 Goodwill

Goodwill is determined as the excess of the consideration paid over the Group'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.

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 2.13). Goodwill is expressed in the currency of the subsidiary or jointly controlled entity to which it relates and is translated to US dollars using the year-end exchange rate. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in associates.

If the Group'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 consolidated income statement.

2.8 Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses (refer to accounting policy 2.13). 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. non-refundable 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.

2.8.1 Subsequent expenditure

The Group 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 Group and the cost of the item can be measured reliably. All other costs are expensed as incurred.

2.8.2 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 Group 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.

Freehold land is not depreciated as it is deemed to have an indefinite life.

2.8.3 Gains and losses on sale

Net gains and losses on sale of items of property, plant and equipment are presented in the consolidated income statement as other operating income/(expenses). Net gains and losses are recognized in the consolidated 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.

Notes to the Consolidated Financial Statements

2.9 Accounting for leases

2.9.1 The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of a contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, and payments for these leases are presented in the consolidated statement of cash flows from operating activities.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate specific to the country, term and currency of the contract. In addition, the Group considers its recent debt issuances as well as publicly available data for instruments with similar characteristics when calculating the incremental borrowing rates.

Lease payments include fixed payments, less any lease incentives, variable lease payments that depend on an index or a rate known at the commencement date, and purchase options or extension option payments if the Group is reasonably certain to exercise these options. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and right-of-use asset and are recognized as an expense in the consolidated income statement in the year in which the event or condition that triggers those payments occurs.

A lease liability is remeasured upon a change in the lease term, changes in an index or rate used to determine the lease payments or reassessment of exercise of a purchase option. The corresponding adjustment is made to the related right-of-use asset.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are depreciated starting at the commencement date over the shorter period of useful life of the underlying asset and lease term.

The lease liability is presented in the 'Interest-bearing loans and borrowings' line and the right-of-use assets are presented in the 'Property, plant and equipment' line in the consolidated statement of financial position. In addition, the principal portion of the lease payments is presented within financial activities and the interest component is presented within operating activities in the consolidated statement of cash flows.

2.9.2 The Group as lessor

Leases where the Group transfers substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Leases of assets under which all the risks and rewards of ownership are substantially retained by the Group are classified as operating leases. Rental income is recognized in the consolidated income statement within other operating income on a straight-line basis over the term of the lease.

2.10 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.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business and generally due for settlement within 30 days. The Group holds trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest rate method. Trade and other receivables are carried at amortized cost less impairment losses.

To determine the appropriate amount to be impaired factors such as significant financial difficulties of the debtor, probability that the debtor will default, enter into bankruptcy or financial reorganization, or delinquency in payments are considered. Other receivables are initially recognized at fair value and subsequently measured at amortized cost. Any impairment losses and foreign exchange results are directly recognized in profit or loss.

2.12 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 consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

Cash and cash equivalents include cash balances in a notional cash pool managed by AB InBev as part of a centralized treasury management system. Since the Group has legal rights to these balances they are included in the Group's cash and cash equivalents.

Notes to the Consolidated Financial Statements

Historically before the Listing, certain cash and cash equivalents were managed as part of a global treasury management function by AB InBev and the Group did not exercise operational control over the cash and cash equivalents in the physical cash pool with AB InBev entities. The balances generated from the Group that were physically pooled into AB InBev entities that were outside the Group were therefore not considered cash and cash equivalents of the Group and are not included as such in the consolidated financial statements. For the purposes of the financial statements up to the date of Listing, amounts in the physical cash pool are included within the capital reserve which reflects the net funding position between the Group and AB InBev. After the Listing, balances in the physical cash pool are recognized as a receivable or payable between the Group and the AB InBev counterparty.

2.13 Impairment for non-financial assets

The carrying amounts of property, plant and equipment, goodwill and intangible assets are reviewed at each date of the consolidated statement of financial position to determine whether there is any indication of impairment. If there is an indicator of impairment, 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 cash-generating unit level, being the level at which the assets generate largely independent cash inflows and are monitored for internal management purposes. Each country is managed as a single business unit and has a significant amount of vertical integration through multi product production facilities and integrated logistics, sales and marketing functions. Based on this, the cash-generating unit is a country or for smaller businesses a group of countries managed as a group. 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 consolidated income statement.

2.13.1 Calculation of recoverable amount

The recoverable amount of non-financial 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 or other available fair value indicators.

Impairment losses recognized in respect of cash-generating units firstly reduce allocated goodwill and then the carrying amounts of the other assets in the unit on a pro rata basis.

2.13.2 Reversal of impairment losses

Non-financial assets other than goodwill 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.

2.14 Provisions

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

2.14.1 Restructuring

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

2.14.2 Disputes and litigations

A provision for disputes and litigation is recognized when it is more likely than not that the Group will be required to make future payments as a result of past events. Such items may include but are not limited to claims, lawsuits 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.

2.15 Employee benefits

2.15.1 Post-employment benefits

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

Notes to the Consolidated Financial Statements

a. Defined contribution plans
Contributions to defined contribution plans are recognized as an expense in the consolidated income statement when incurred. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a fund. The Group 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 consolidated 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 consolidated 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 Group recognizes related restructuring or termination costs. The pension obligations recognized in the consolidated statement of financial position 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 year in which they occur in the consolidated statement of comprehensive income. Re-measurements are not reclassified to profit or loss in subsequent years.

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

2.15.2 Other post-employment obligations

Some Group 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.

2.15.3 Termination benefits

Termination benefits are recognized as an expense at the earlier of when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date and when the Group recognizes costs for a restructuring. Termination benefits for voluntary redundancies are recognized if the Group has made an offer encouraging voluntary redundancy and when the Group 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 Group's ability to withdraw the offer takes effect.

2.15.4 Bonuses

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

2.16 Share-based payments

Different share and share option programs allow Group senior management and members of the Board to acquire shares of the Company. 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 Group obtains the goods or the counterparty renders the service.

Historically, the Group did not have its own share capital and the share-based compensation plans relate to shares of AB InBev. The Group's key personnel participate in AB InBev's share-based incentive plans. The consolidated financial statements include allocations of the cost recorded at AB InBev based on the number of the Group's employees participating in each scheme.

2.17 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 consolidated income statement (in accretion expense) over the expected life of the instrument on an effective interest rate basis.

Notes to the Consolidated Financial Statements

2.18 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.

2.19 Consigned packaging

Consigned packaging represents deposits paid by the Group's customers for use of the Group's returnable packaging which are assets controlled by the Group. A liability is recognized in respect of the deposits received from the Group's customers at fair value. The liability is derecognized upon return or derecognition of the packaging asset based on contractual terms with the customers and is recognized in other operating income in the consolidated income statement.

2.20 Contract liabilities

Contract liabilities primarily relate to advance consideration received from customers relating to the sale of beer and are derecognized when the Group has fulfilled the obligation under the contract to deliver the beer.

2.21 Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the consolidated 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 date of the statement of financial position, and any adjustment to tax payable in respect of previous years.

Deferred taxes are provided using the 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 consolidated statement of financial position 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 Group 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 Group 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 in the consolidated statement of financial position (refer to accounting policy 2.14).

2.22 Income recognition

2.22.1 Goods sold

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when performance obligations are satisfied, meaning when the Group transfers control of a product to a customer. As a result, all of the Group's revenue is recognized at a point of time.

Specifically, revenue recognition follows the following five-step approach:

- Identification of the contracts with a customer
- Identification of the performance obligations in the contracts
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contracts
- Revenue recognition when performance obligations are satisfied

Revenue from the sale of goods is measured at the amount that reflects the best estimate of the consideration expected to be received in exchange for those goods. Contracts can include significant variable elements, such as discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses and penalties. If these trade incentives are payments to customers not in exchange for distinct goods and services from customers and are related to a sales transaction, such as volume rebates, the revenue is treated as variable consideration. If the consideration includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to the customer. Variable consideration is only included in the transaction price if it is highly probable that the amount of revenue recognized would not be subject to significant future reversals when the uncertainty is resolved. A refund liability is recognized for expected volume rebates payable to customers in relation to sales made until the end of the reporting period.

Notes to the Consolidated Financial Statements

Accumulated experience is used to estimate and provide for the refund liabilities, using the expected value method.

Trade incentive payments to customers in exchange for distinct goods or services are accounted for as promotion and marketing incentives and classified as selling and distribution expenses in the consolidated income statement.

2.22.2 Finance income

Finance income comprises of interest received or receivable on funds invested, dividend income, foreign exchange gains, losses on currency hedging instruments offsetting currency gains, gains on hedging instruments and gains on financial assets are measured at fair value through profit or loss ("FVPL").

2.23 Government grants

A government grant is recognized in the consolidated statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. Grants that compensate the Group for expenses incurred are recognized as other operating income/(expenses) in the consolidated income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the acquisition of an asset are presented by deducting them from the acquisition cost of the related asset.

2.24 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 financial assets as well as any losses from hedge ineffectiveness (refer to accounting policy 2.27).

All interest costs incurred in connection with borrowings or financial transactions are expensed as incurred as part of finance costs in the consolidated income statement. 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 consolidated income statement (in accretion expense) over the expected life of the instrument on an effective interest rate basis (refer to accounting policy 2.17). The interest expense component of lease payments is also recognized in the consolidated income statement using the effective interest rate method in accretion expense.

2.25 Research, advertising, and promotional costs and systems development costs

Research, advertising, and promotional costs are expensed in the year in which these costs are incurred. 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 2.4).

2.26 Purchasing, receiving and warehousing costs

Purchasing and receiving costs are included in the cost of sales in the consolidated income statement, 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 in the consolidated income statement.

2.27 Financial Instruments and hedge accounting

The Group uses derivative financial instruments to mitigate the transactional impact of foreign currencies, interest rates, and commodity prices on the Group's performance. The Group's financial risk management policy prohibits the use of derivative financial instruments for trading purposes and the Group does therefore not hold or issue any such instruments for such purposes.

2.27.1 Classification and measurement

Except for certain trade receivables, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Debt financial instruments are subsequently measured at amortized cost. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The classification and measurement of the Group's financial assets is as follows:

- *Debt instruments at amortized cost*, comprise investments in debt securities where the contractual cash flows are solely payments of principal and interest and the Group's business model is to collect contractual cash flows. Interest income, foreign exchange gains and losses and any impairment charges for such instruments are recognized in profit or loss.

- *Financial assets and liabilities at FVPL*, comprise derivative instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at fair value through other comprehensive income ("FVOCI"). This category also includes debt instruments for which the cash flow characteristics fail the SPPI criterion or are not held with a business model objective to either collect contractual cash flows, or both collect contractual cash flows and sell.

Notes to the Consolidated Financial Statements

2.27.2 Impairment of financial assets

For other financial assets, the expected credit loss ("ECL") is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

2.27.3 Hedge accounting

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates, interest rates and commodity prices.

At the inception of the hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. Hedge effectiveness is measured at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between hedged item and hedging instrument.

For the different types of hedges in place, the Group generally enters into hedge relationships where the critical terms of the hedging instrument match exactly the terms of the hedged item. Therefore typically the hedge ratio is 1:1. The Group performs a qualitative assessment of effectiveness. In circumstances where the terms of the hedged item no longer exactly match the critical terms of the hedging instrument, the Group uses a hypothetical derivative method to assess effectiveness. Possible sources of ineffectiveness are changes in the timing of the forecasted transaction, changes in the quantity of the hedged item or changes in the credit risk of either parties to the derivative contract.

2.27.4 Cash flow hedge accounting

Cash flow hedge accounting is applied when a derivative hedges the variability in cash flows of a highly probable forecasted transaction, foreign currency risk of a firm commitment or a recognized asset or liability (such as a variable interest rate instrument).

When the hedged forecasted transaction or firm commitment subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserves is included directly in the initial carrying amount of the non-financial item when it is recognized.

For all other hedged transactions, the amount accumulated in the hedging reserves is reclassified to profit or loss in the same year during which the hedged item affects profit or loss (e.g. when the variable interest expense is recognized).

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 to profit or loss when the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative gain or loss recognized in the consolidated statement of comprehensive income is reclassified to profit or loss immediately.

Any ineffectiveness is recognized immediately in profit or loss.

2.27.5 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a currently legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

2.28 Segment reporting

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

The Group has two operating segments: Asia Pacific East (primarily South Korea, Japan and New Zealand) and Asia Pacific West (China, India, Vietnam and exports elsewhere in Asia Pacific). The Group's operating segment reporting format is geographical because the Group's risks and rates of return are affected predominantly by the fact that the Group operates in different geographical areas. The Group's management structure and internal reporting system to the Board of Directors is set up accordingly. Additionally, management assessed additional factors such as management's views on the optimal number of reporting segments, as well as management's view on the optimal balance between practical and more granular information.

2.29 Non-recurring items

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

2.30 Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.31 Summary of significant accounting policies of the Company

In the Company's balance sheet, investments in subsidiaries are carried at cost less any impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest risk and commodity risk), credit risk and liquidity risk. The Group analyzes each of these risks individually as well as on a consolidated basis, and defines strategies to manage the economic impact on the Group's performance in line with its financial risk management policy. The main derivative instruments used are foreign exchange forward contracts, cross currency interest rate swaps and exchange traded commodity futures. The derivatives are part of a cash flow hedge relationship.

3.1.1 Foreign currency risk

The Group is subject to foreign currency risk when contracts are denominated in a currency other than the functional currency of the entity. This includes borrowings, sales, (forecasted) purchases, royalties, dividends, licenses, management fees and interest expense/income. The Group's foreign currency risk is primarily related to Euro and US dollar purchases.

Foreign exchange risk on operating activities
The Group may hedge operating 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. Operating transactions that are considered certain to occur are hedged without any time limits.

Foreign exchange risk on foreign currency denominated debt
It is the Group'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 consolidated basis and take into consideration the holistic risk management approach.

Currency sensitivity analysis
Had the Chinese yuan and the South Korean won weakened/strengthened against the Euro or US dollar on average of 5% for the Chinese yuan and 7.0% (2018: 7.5%) for the South Korean won, with all other variables held constant, the impact on consolidated profit before tax would have been approximately higher or lower by 2 million US dollar for the year ended 31 December 2019 and 8 million US dollar for the year ended 31 December 2018.

3.1.2 Interest rate risk

27 million US dollar or 20% as of 31 December 2019 and 389 million US dollar or 76% as of 31 December 2018 of the Group's interest-bearing financial liabilities, excluding lease liabilities, bears interest at a variable rate. The Group estimated that the reasonably possible change of the market interest rates would have an immaterial impact on the Group's profit in 2019 and 2018.

3.1.3 Commodity price risk

The commodity markets have experienced and are expected to continue to experience price fluctuations. The Group therefore uses both fixed price purchasing contracts and commodity derivatives to minimize exposure to commodity price volatility. The Group has exposures to the following commodities: aluminum, barley, coal, corn, corrugated board, diesel, fuel oil, glass, hops, labels, malt, natural gas, plastics, rice, steel and wheat. As of 31 December 2019 and 31 December 2018, the Group has commodity derivatives outstanding for corn. The impact of changes in the commodity prices for the Group's derivative exposures would have caused an immaterial impact on the Group's profit in 2019 and 2018.

3.1.4 Credit risk

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

The Group mitigates its exposure through a variety of mechanisms. It has established minimum counterparty credit ratings and enters into transactions only with financial institutions of investment grade rating. The Group monitors counterparty credit exposures closely and reviews any external downgrade in credit rating immediately. To mitigate pre-settlement risk, counterparty minimum credit standards become more stringent with increases in the duration of the derivatives. To minimize the concentration of counterparty credit risk, the Group 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 Group. The carrying amount is presented net of the impairment losses recognized. There was no significant concentration of credit risk with any single counterparty as of 31 December 2019 and 31 December 2018 and no single customer represented more than 10% of the Group's total revenue in 2019 and 2018.

Impairment losses on trade receivables of 1 million US dollar were recognized for the year ended 31 December 2019. No impairment losses on trade and other receivables were recorded in 2018.

Notes to the Consolidated Financial Statements

3.1.5 Liquidity risk

The Group's primary sources of cash flow are cash flows from operating activities and prior to the Listing, AB InBev capital contributions. The Group's material cash requirements have included the following:

- Capital expenditures;
- Investments in companies;
- Increases in ownership of the Group's subsidiaries or companies in which it holds equity investments;
- Debt servicing of borrowings from third parties and AB InBev; and
- Payments of dividends and repayment of AB InBev capital.

The Group had net current liabilities of and 2,385 million US dollar and 1,788 million US dollar as of 31 December 2019 and 2018, respectively, which management considers is a positive aspect of the Group's working capital management and an inherent part of the Group's business model. Substantial effort is devoted to the efficient use of working capital, resulting in an ability to secure favorable credit terms with suppliers that are longer than the inventory and receivables cycles. The Group is also highly cash generative, with cash flows from operating activities of 1,379 million US dollar and 1,684 million US dollar for the years ended 31 December 2019 and 2018, respectively.

In order to fund its foreseeable financial obligations the Group has sufficient access to cash flows from operating activities, available cash and cash equivalents as well as access to borrowing facilities, including cash pooling loans from AB InBev.

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

	As of 31 December 2019						
US$'million	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	3	3	3	–	–	–	–
Unsecured bank loans and other loans	135	135	135	–	–	–	–
Lease liabilities	50	64	25	15	7	5	12
Cash pooling loans from AB InBev	50	51	51	–	–	–	–
Bank overdrafts	75	75	75	–	–	–	–
Trade and other payables [2]	3,331	3,331	3,196	111	5	9	10
	3,644	**3,659**	**3,485**	**126**	**12**	**14**	**22**
Derivative financial assets/(liabilities)	4	4	4	–	–	–	–

US$'million	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-5 years	More than 5 years
	As of 31 December 2018						
Non-derivative financial liabilities							
Secured bank loans	6	6	6	–	–	–	–
Unsecured bank loans and other loans	37	37	37	–	–	–	–
Loans with AB InBev (1)	473	562	5	5	5	483	64
Lease liabilities	54	69	24	16	10	8	11
Bank overdrafts	45	45	45	–	–	–	–
Trade and other payables (2)	4,265	4,265	4,236	21	8	–	–
	4,880	**4,984**	**4,353**	**42**	**23**	**491**	**75**
Derivative financial assets/(liabilities)	11	11	11	–	–	–	–

(1) Loans with AB InBev are presented in the consolidated statement of financial position and the table above based on their contractual repayment profile. These loans were settled or capitalized upon Listing.

(2) Comprises of trade and other payables, payables with AB InBev and consigned packaging.

3.2 Capital management

The Group continuously optimizes its capital structure to maximize shareholder value while keeping the financial flexibility to execute the strategic projects. The Group's capital structure policy and framework aims to optimize shareholder value through cash flow distribution to the Group from its subsidiaries, while maintaining an investment-grade rating and minimizing investments with returns below the Group's weighted average cost of capital.

Cash net of debt is defined as cash and cash equivalents and cash pooling deposits to AB InBev minus non-current and current interest-bearing loans and borrowings (including loans with AB InBev), bank overdrafts and cash pooling loans from AB InBev. Cash net of debt is a financial performance indicator that is used by the Group's management to highlight changes in the Group's overall liquidity position.

Prior to the Listing, the Group distributed excess cash amounting to 976 million US dollar to subsidiaries of AB InBev that were not part of the Group.

Notes to the Consolidated Financial Statements

The following table provides a reconciliation of the Group's cash net of debt:

	2019 US$'million	2018 US$'million
Cash and cash equivalents	**952**	**1,667**
Cash pooling deposits to AB InBev	**40**	**-**
Non-current interest-bearing loans and borrowings	(28)	(30)
Loans with AB InBev	-	(473)
Current interest-bearing loans and borrowings	(160)	(67)
Interest-bearing loans and borrowings	**(188)**	**(570)**
Bank overdrafts	**(75)**	**(45)**
Cash pooling loans from AB InBev	**(50)**	**-**
Cash net of debt	**679**	**1,052**

The Group is not geared as of 31 December 2019 and 2018. The ratio of cash net of debt to total consolidated equity was as follows:

	2019 US$'million	2018 US$'million
Cash net of debt	(679)	(1,052)
Total equity	9,884	10,172
Total capital	**9,205**	**9,120**
Gearing ratio	**-7.4%**	**-11.5%**

3.3 Fair value measurement

A number of the Group's accounting policies and notes require fair value measurement for both financial and non-financial items.

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. When measuring fair value, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements incorporate significant inputs that are based on unobservable market data.

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group applies fair value measurement to the instruments listed below.

3.3.1 Derivatives

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.

3.3.2 Non-derivative financial liabilities

The fair value of non-derivative financial liabilities is generally determined using unobservable inputs and therefore fall into level 3. In these circumstances, the valuation technique used is discounted cash flow, whereby the projected cash flows are discounted using a risk adjusted rate. This includes the contingent consideration in respect of the acquisition of Blue Girl. Refer to Note 27 Acquisitions and disposals of subsidiaries for further details.

The Group had the following financial assets/(liabilities) quoted at fair value:

	2019 US$'million	2018 US$'million
Level 1	3	5
Level 2	7	6
Level 3	(25)	(16)
	(15)	**(5)**

The carrying amounts of the floating and fixed rate interest-bearing financial liabilities, including lease liabilities, Loans with AB InBev, cash pooling loans from AB InBev and all trade and other receivables and payables, including derivatives financial instruments, as recognized in the consolidated statement of financial position are a reasonable approximation of the fair values.

Notes to the Consolidated Financial Statements

4. Critical accounting estimates and judgments

The preparation of consolidated financial statements require 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 year in which the estimate is revised if the revision affects only that year or in the year 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, the Group 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.

Impairment of goodwill and indefinite life intangible assets

Goodwill impairment testing relies on a number of critical judgments, estimates and assumptions. Goodwill, which accounted for approximately 45% of the Group's total assets as of 31 December 2019 and 42% as of 31 December 2018 is tested for impairment at the cash generating unit level. The Group tests at least annually whether goodwill and indefinite life intangible assets have suffered any impairment by calculating the recoverable amount of the cash generating unit and comparing this to its carrying value.

The Group'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 of applying a discounted free cash flow approach based on acquisition valuation models for the cash-generating units showing a high invested capital to EBITDA multiple, and valuation multiples for the other cash-generating units.

The fair value less costs to sell valuation requires judgment around the selection of comparable market participants and their sales multiples. The value in use calculations primarily use cash flow projections. There are a number of assumptions and estimates involved for the preparation of cash flow projections and the estimated terminal value. Key assumptions include the expected growth in revenues and operating margin, the discount rate and the terminal growth rate.

Management prepared the financial projections reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

Refer to Notes 13 Goodwill and 14 Intangible assets for further information on the goodwill and indefinite life intangible assets exposure and estimates applied.

Determination of indefinite useful life for certain intangible assets

Intangible assets with indefinite useful lives are primarily brands acquired through business combinations. Management has determined that brands have indefinite useful lives as these consist of nationally or internationally prominent brands which have existed for several decades or longer and which are well established in their markets. These markets have been stable or growing. The Group has legal rights to the brands which can be enforced for an indefinite period.

Refer to Note 14 Intangible assets for further information on indefinite life intangible assets.

Contingencies

The preparation of the Group's financial statements requires management to make estimates and assumptions regarding contingencies, which affect the valuation of assets and liabilities at the date of the consolidated financial statements and the revenue and expenses during the reported year.

The Group discloses material contingent liabilities unless the possibility of any loss arising is considered remote, and material contingent assets where the inflow of economic benefits is probable.

A provision is recorded for a loss contingency when it is probable that a future event will confirm that a liability has been incurred at the date of the consolidated financial statements, and the amount of the loss can be reasonably estimated. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur, and typically those events will occur over a number of years in the future.

The Group has no material unprovided contingencies for which, in the opinion of management and its legal counsel, the risk of loss is possible but not probable.

Notes to the Consolidated Financial Statements

Income tax position

The Group is subject to income tax in numerous jurisdictions. Significant judgment is required in determining the Group provision for income tax.

Some subsidiaries within the Group, including our subsidiary Oriental Brewery Co., Ltd. in South Korea, 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 date of the consolidated statement of financial position and, by their nature, these can take considerable time to conclude. In assessing the amount of any income tax or indirect tax provisions to be recognized in the consolidated 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 year such determination is made.

Refer to Notes 11 Income tax expense and 17 Deferred tax assets and liabilities for further information on income tax including exposures and estimates applied.

Trade incentives

The Group has a large number of customer contracts with distributers and retailers across various revenue channels. These contracts can include significant trade incentives, in the form of volume rebates, discounts, and promotion and marketing expenses, which are recognized according to the relevant terms in the contracts.

Management is required to use judgment in assessing the nature of trade incentives and whether the payments made to customers are in exchange for distinct goods and services, which determines their classification in the consolidated income statement and statement of financial position. Revenue from sales is recognized based on the price specified in the contract, net of the estimated refund liabilities, while trade incentive payments to customers in exchange for distinct goods or services are accounted for as promotion and marketing incentives and classified as selling and distribution expenses in the consolidated income statement.

5. Segment information

Segment information is presented by geographical segments, consistent with the information that is available and evaluated regularly by the chief operating decision maker.

The Group operates its business through two geographic regions: Asia Pacific East (primarily South Korea, Japan and New Zealand) and Asia Pacific West (China, India, Vietnam and exports elsewhere in Asia Pacific), which are the Group's two reportable segments for financial reporting purposes. Regional and operating Group management is responsible for managing performance, underlying risks and effectiveness of operations. Management uses performance indicators such as Normalized EBITDA as measures of segment performance and to make decisions regarding allocation of resources.

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

For the years ended 31 December 2019 and 2018

	East		Asia Pacific West		Total	
	2019	2018	2019	2018	2019	2018
Volume (unaudited)	**12,691**	**14,120**	**80,477**	**82,125**	**93,168**	**96,245**
Revenue[1]	**1,370**	**1,585**	**5,176**	**5,155**	**6,546**	**6,740**
Normalized EBITDA	**446**	**549**	**1,675**	**1,445**	**2,121**	**1,994**
Normalized EBITDA margin %	32.6%	34.6%	32.4%	28.0%	32.4%	29.6%
Depreciation, amortization and impairment					655	696
Normalized profit from operations (Normalized EBIT)					**1,466**	**1,298**
Non-recurring items (Note 7)					(98)	(42)
Profit from operations (EBIT)					**1,368**	**1,256**
Net finance cost					(24)	(18)
Share of results of associates					23	17
Income tax expense					**(459)**	**(296)**
Profit for the year					**908**	**959**
Segment assets (non-current)	5,522	5,728	7,678	7,454	13,200	13,182
Gross capex	71	67	527	536	598	603

(1) Revenue represents sales of beer products recognized at a point of time.

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Normalized EBITDA is a key financial measure regularly monitored by management in managing the Group's performance, capital and funding structure. Normalized EBITDA is calculated by excluding the following effects from profit attributable to equity holders of the Company: (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 costs) and (vii) depreciation, amortization and impairment.

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

The reconciliation between profit attributable to equity holders and normalized EBITDA is as follows:

	2019 US$'million	2018 US$'million
Profit attributable to equity holders of Budweiser APAC	**898**	**958**
Non-controlling interest	10	1
Profit for the year	**908**	**959**
Income tax expense (excluding non-recurring)	469	305
Share of results of associates	(23)	(17)
Net finance cost (including non-recurring finance cost)	24	18
Non-recurring income tax benefit	(10)	(9)
Non-recurring items above EBIT	98	42
Normalized EBIT	**1,466**	**1,298**
Depreciation and amortization	655	696
Normalized EBITDA	**2,121**	**1,994**

6. Other operating income

	2019 US$'million	2018 US$'million
Grants and incentives	87	91
Net gain on disposal of property, plant and equipment, and intangible assets	105	44
Other operating income	45	19
Other operating income	**237**	**154**

Grants and incentives primarily related to various grants and incentives given by local governments, based on the Group's operations and developments in those regions.

Net gain on disposal of property, plant and equipment and intangible assets includes net gains of 45 million US dollar and 7 million US dollar from the sale of properties for the years ended 31 December 2019 and 2018, respectively.

7. Non-recurring items

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

	2019 US$'million	2018 US$'million
Restructuring	(24)	(39)
Acquisition and integration costs	(7)	(3)
Costs associated with the Listing	(67)	–
Impact on profit from operations	**(98)**	**(42)**
Non-recurring finance costs	(8)	(21)
Non-recurring income tax benefit	10	9
Net impact on profit	**(96)**	**(54)**

The Group incurred costs associated with the Listing of 67 million US dollar reported as non-recurring items and costs capitalized associated with the Listing of 61 million US dollar.

The non-recurring restructuring charges primarily relate to organizational alignments. 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 Group with a lower cost base in addition to a stronger focus on the Group's core activities, quicker decision-making and improvements to efficiency, service and quality.

The finance cost of Loans with AB InBev of 17 million US dollar for 2019 and 27 million US dollar for 2018 is included in non-recurring finance costs given these loans were settled or capitalized upon Listing.

Notes to the Consolidated Financial Statements

8. Employee benefit expenses, including directors' emoluments

	2019 US$'million	2018 US$'million
Wages and salaries	(480)	(545)
Social security contributions	(95)	(109)
Other personnel cost	(63)	(78)
Pension expense for defined benefit plans	(15)	(11)
Share-based payment expense	(30)	(14)
Contributions to defined contribution plans	(3)	(2)
Payroll and related benefits	**(686)**	**(759)**

Five highest paid individuals

Of the five individuals with the highest emoluments, two individuals were directors for the years ended 31 December 2019 and 2018. Their emoluments are disclosed in Note 33 Benefits and Interests of Directors. The aggregate of the emoluments in respect of the other three individuals with the highest emoluments for the years ended 31 December 2019 and 2018 are as follows:

	2019 US$'thousand	2018 US$'thousand
Salaries and other emoluments	1,764	1,817
Discretionary bonuses	631	2,048
Share-based payments	2,416	1,783
Retirement scheme contributions	92	31
	4,903	**5,679**

The emoluments of the three individuals for the years ended 31 December 2019 and 2018 are within the following bands:

	2019	2018
11 – 11.5 million HK dollar	1	–
12.5 – 13 million HK dollar	1	1
14 – 14.5 million HK dollar	–	1
14.5 – 15 million HK dollar	1	–
19 – 19.5 million HK dollar	–	1

The five highest paid individuals above are members of the Company's senior management. The remaining 9 members of senior management received emoluments of between HK$3,756 thousand to HK$11,188 thousand for the year ended 31 December 2019.

9. Listing and auditors' fees

	2019 US$'thousand	2018 US$'thousand
Auditors' remuneration:		
Audit services		
– PricewaterhouseCoopers	(3,427)	(6)
– Other auditor	(541)	(741)
	(3,968)	**(747)**
Non-audit services		
– PricewaterhouseCoopers	(12)	(232)
– Other auditor	(1,436)	(877)
	(1,448)	**(1,109)**
Listing fees	**(67,040)**	**–**
	(72,456)	**(1,856)**

For the year ended 31 December 2019, audit fees of 13,262 thousand US dollar were incurred by the Company's auditors for the Listing.

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10. Finance costs and income

Finance costs included in the consolidated income statement are as follows:

	2019 US$'million	2018 US$'million
Interest expense	(12)	(11)
Accretion expense	(12)	(3)
Net foreign exchange fluctuations	(9)	9
Other financial costs, including bank fees	(6)	(17)
Finance costs, excluding non-recurring items	**(39)**	**(22)**
Non-recurring finance costs	(8)	(21)
Finance costs	**(47)**	**(43)**

Prior to the Listing, the Group had loans with AB InBev entities, which were outside the Group. These loans were settled or capitalized upon Listing. The interest charges related to these loans are reported as non-recurring finance costs in the consolidated income statement.

Finance income included in the consolidated income statement is as follows:

	2019 US$'million	2018 US$'million
Interest income	23	24
Other financial income	–	1
Finance income	**23**	**25**

No interest income was recognized on impaired financial assets.

The interest income stems from the following financial assets:

	2019 US$'million	2018 US$'million
Cash and cash equivalents	23	24

11. Income tax expense

Income taxes recognized in the consolidated income statement are as follows:

	2019 US$'million	2018 US$'million
Current year	(360)	(360)
(Under)/overprovided in prior years	(20)	29
Current tax expense	**(380)**	**(331)**
Deferred tax expense	**(79)**	**35**
Total income tax expense	**(459)**	**(296)**

The reconciliation of the effective tax rate with the aggregated weighted nominal tax rate is summarized as follows:

	2019 US$'million	2018 US$'million
Profit before tax	1,367	1,255
Deduct share of results of associates	23	17
Profit before tax and before share of results of associates	**1,344**	**1,238**
Adjustments on taxable basis		
Expenses not deductible for tax purposes	166	82
Other non-taxable income	(134)	(78)
	1,376	**1,242**
Aggregated weighted nominal tax rate	26.7%	25.0%
Tax at aggregated weighted nominal tax rate	(368)	(311)
Adjustments on tax expense		
Utilization of tax losses not previously recognized	18	12
Recognition of deferred tax assets on previous years' tax losses	–	21
Write-down of deferred tax assets on tax losses and current year losses for which no deferred tax asset is recognized	(37)	(45)
(Under)/overprovided in prior years	(20)	29
Withholding taxes	(54)	(7)
Other tax adjustments	2	5
	(459)	**(296)**
Effective tax rate	**34.2%**	**23.9%**
Normalized effective tax rate	**32.3%**	**23.4%**

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The Group's income tax expense included 2 million US dollar and 4 million US dollar in respect of Hong Kong profits tax in the years ended 31 December 2019 and 2018.

Normalized effective tax rate is not an accounting measure under IFRS 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 the Group's definition of normalized effective tax rate may not be comparable to other companies.

12. Property, plant and equipment

Property, plant and equipment comprises owned and leased assets, as follows:

	2019 US$'million	2018 US$'million
Property, plant and equipment owned	3,589	3,738
Property, plant and equipment leased (right-of-use assets)	49	52
Total property, plant and equipment	**3,638**	**3,790**

Property, plant and equipment owned by the Group is detailed as follows:

	2019			
	Land and buildings US$'million	Plant and equipment, fixtures and fittings US$'million	Under construction US$'million	Total US$'million
Acquisition cost				
Balance as of 1 January 2019	**1,870**	**4,338**	**305**	**6,513**
Effect of movements in foreign exchange	(30)	(62)	(3)	(95)
Acquisitions	–	277	288	565
Disposals	(141)	(470)	–	(611)
Transfer from/(to) other asset categories and other movements	71	186	(299)	(42)
Balance as of 31 December 2019	**1,770**	**4,269**	**291**	**6,330**
Depreciation and impairment losses				
Balance as of 1 January 2019	**(503)**	**(2,272)**	**–**	**(2,775)**
Effect of movements in foreign exchange	7	25	–	32
Depreciation	(76)	(496)	–	(572)
Disposals	112	421	–	533
Transfer from other asset categories and other movements	6	35	–	41
Balance as of 31 December 2019	**(454)**	**(2,287)**	**–**	**(2,741)**
Carrying amount as of 31 December 2019	**1,316**	**1,982**	**291**	**3,589**

	2018			
	Land and buildings US$'million	Plant and equipment, fixtures and fittings US$'million	Under construction US$'million	Total US$'million
Acquisition cost				
Balance as of 1 January 2018	**1,945**	**4,292**	**290**	**6,527**
Effect of movements in foreign exchange	(102)	(235)	(19)	(356)
Acquisitions	66	433	74	573
Disposals	(29)	(171)	–	(200)
Transfer from/(to) other asset categories and other movements	(10)	19	(40)	(31)
Balance as of 31 December 2018	**1,870**	**4,338**	**305**	**6,513**
Depreciation and impairment losses				
Balance as of 1 January 2018	**(463)**	**(2,072)**	**–**	**(2,535)**
Effect of movements in foreign exchange	28	127	–	155
Depreciation	(104)	(511)	–	(615)
Disposals	1	131	–	132
Transfer from/(to) other asset categories and other movements	35	53	–	88
Balance as of 31 December 2018	**(503)**	**(2,272)**	**–**	**(2,775)**
Carrying amount as of 31 December 2018	**1,367**	**2,066**	**305**	**3,738**

As of 31 December 2019 and 31 December 2018, there is no property, plant and equipment subject to restrictions on title, other than described in Note 29.

Out of the total 2019 capital expenditures approximately 51% (2018: 47%) was used to improve the Group's breweries and production facilities while 42% (2018: 46%) was used for logistics and 7% (2018: 7%) was used for improving administrative capabilities and purchase of hardware and software.

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Right-of-use assets

The Group leases warehouses, factory facilities, other commercial buildings and equipment. Property, plant and equipment leased by the Group (right-of-use assets) is detailed as follows:

	2019 US$'million	2018 US$'million
Net carrying amount	49	52
Depreciation for the year	(30)	(30)

Additions to right-of-use assets were 29 million US dollar and 36 million US dollar for 31 December 2019 and 31 December 2018, respectively. The expense related to short-term leases and variable lease payments that are not included in the measurement of the lease liabilities is not significant.

Depreciation is included in the following line items in the consolidated income statement:

	2019 US$'million	2018 US$'million
Cost of sales	507	548
Distribution expenses	30	36
Sales and marketing expenses	25	23
Administrative expenses	40	38
Depreciation	**602**	**645**

13. Goodwill

	2019 US$'million	2018 US$'million
Balance as of 1 January	**6,718**	**7,046**
Effect of movements in foreign exchange	(172)	(335)
Acquisitions through business combinations (Note 27)	375	7
Balance as of 31 December	**6,921**	**6,718**

The carrying amount of goodwill by cash-generating unit is as follows:

Cash-generating unit	2019 US$'million	2018 US$'million
South Korea	3,815	3,949
China	3,095	2,758
Other countries	11	11
Total carrying amount of goodwill	**6,921**	**6,718**

The value in use discounted cash flow is based on a 10 year cash flow model. The Group uses a 10 year rather than a five year model as this accords with the Group's long term planning and business acquisition valuation methodology. The key judgments, estimates and assumptions used in the value in use discounted free cash flow calculations are generally as follows:

- In the first three years of the model, free cash flows are based on the Group's strategic plan as approved by key management. The Group's strategic plan is prepared per cash-generating 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 GDP growth rates, based on external sources, in order to calculate the terminal value, considering sensitivities on this metric; and

- Projections are discounted at the unit's weighted average cost of capital. 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 the Group believes that its judgments, assumptions and estimates are appropriate, actual results may differ from these estimates under different assumptions or market or macro-economic conditions.

The Group completed its annual impairment test for goodwill in the fourth quarter of 2019 and concluded that no impairment charge was warranted. The results of the impairment tests indicate that the excess of the recoverable amounts over the carrying amounts for each cash generating unit was not less than 50%. The Group 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.

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The Group believes that all of its estimates are reasonable: they are consistent with the Group's internal reporting and reflect management's best estimates. However, inherent uncertainties exist that management may not be able to control. The pre-tax WACC used in the impairment models was between 4.4% and 10.9% and the terminal growth rate used was between 1.6% and 3.0%.

While a change in the estimates used could have a material impact on the calculation of the value in use and trigger an impairment charge, the Group, based on the sensitivity analysis performed is not aware of any reasonably possible change in a key assumption used that would cause a cash-generating unit's carrying amount to exceed its recoverable amount.

14. Intangible assets

	2019				
	Brands US$'million	Commercial intangibles US$'million	Software US$'million	Other US$'million	Total US$'million
Acquisition cost					
Balance as of 1 January 2019	**1,535**	**105**	**233**	**65**	**1,938**
Effect of movements in foreign exchange	(41)	(1)	(1)	(4)	(47)
Acquisitions through business combinations	33	–	–	–	33
Acquisitions and expenditures	14	–	–	35	49
Transfer from/(to) other asset categories and other movements[1]	–	(11)	30	(36)	(17)
Balance as of 31 December 2019	**1,541**	**93**	**262**	**60**	**1,956**
Amortization and impairment losses					
Balance as of 1 January 2019	**–**	**(63)**	**(147)**	**(10)**	**(220)**
Effect of movements in foreign exchange	–	1	2	1	4
Amortization	–	(8)	(37)	(1)	(46)
Transfer from other asset categories and other movements[1]	–	11	3	–	14
Balance as of 31 December 2019	**–**	**(59)**	**(179)**	**(10)**	**(248)**
Carrying value as of 31 December 2019	**1,541**	**34**	**83**	**50**	**1,708**

	2018				
	Brands US$'million	Commercial intangibles US$'million	Software US$'million	Other US$'million	Total US$'million
Acquisition cost					
Balance as of 1 January 2018	**1,614**	**111**	**224**	**62**	**2,011**
Effect of movements in foreign exchange	(79)	(6)	(13)	(4)	(102)
Acquisitions and expenditures	–	–	18	12	30
Transfer from/(to) other asset categories and other movements(1)	–	–	4	(5)	(1)
Balance as of 31 December 2018	**1,535**	**105**	**233**	**65**	**1,938**
Amortization and impairment losses					
Balance as of 1 January 2018	**–**	**(59)**	**(121)**	**(12)**	**(192)**
Effect of movements in foreign exchange	–	4	7	5	16
Amortization	–	(8)	(33)	(6)	(47)
Transfer from other asset categories and other movements(1)	–	–	–	3	3
Balance as of 31 December 2018	**–**	**(63)**	**(147)**	**(10)**	**(220)**
Carrying value as of 31 December 2018	**1,535**	**42**	**86**	**55**	**1,718**

(1) The transfer from/(to) other asset categories and other movements mainly relates to transfers between account categories and measurement period adjustments.

Included in intangible assets are 1,541 million US dollar and 1,535 million US dollar of assets with an indefinite useful life and 167 million US dollar and 183 million US dollar with a finite life as of 31 December 2019 and 31 December 2018, respectively.

Intangible assets with indefinite useful lives are comprised primarily of brands and certain distribution rights that the Group purchase for its own products, and are tested for impairment during the fourth quarter of the year or whenever a triggering event has occurred.

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The carrying amount of intangible assets with indefinite useful lives by country is as follows:

Country	2019 US$'million	2018 US$'million
South Korea	978	1,013
China	410	381
India	130	132
Other countries	23	9
Total carrying amount of intangible assets with indefinite useful lives	**1,541**	**1,535**

Intangible assets with indefinite useful lives have been tested for impairment together with goodwill using the methodology and assumptions as disclosed in Note 13 Goodwill. Based on the assumptions described in that Note, the Group concluded that no impairment charge is warranted. While a change in the estimates used could have a material impact on the calculation of the value in use and trigger an impairment charge, the Group is not aware of any reasonably possible change in a key assumption used that would cause a cash-generating unit's carrying amount to exceed its recoverable amount.

Amortization is included in the following line items in the consolidated income statement:

	2019 US$'million	2018 US$'million
Cost of sales	1	9
Sales and marketing expenses	4	4
Administrative expenses	41	34
Amortization	**46**	**47**

15. Land use rights

The Group acquired the right to use land in China and Vietnam. The net carrying amount of the right-of-use assets was 247 million US dollar and 276 million US dollar as of 31 December 2019 and 31 December 2018, respectively.

Land use rights are as follows:

	2019 US$'million	2018 US$'million
Net carrying amount	247	276
Depreciation for the year	(7)	(4)

16. Investment in associates

The Group has an investment in Guangzhou Zhujiang Brewery Joint-Stock Co, Ltd. ("Zhujiang"), incorporated in the PRC.

% of economic interest as of	2019	2018
Guangzhou Zhujiang Brewery Joint-Stock Co. Ltd	29.99%	29.99%

	2019 US$'million	2018 US$'million
Balance as of 1 January	**403**	**367**
Effect of movements in foreign exchange	2	–
Dividend received	(10)	(5)
Share of results of associates	23	17
Foreign currency hedge	–	24
Balance as of 31 December	**418**	**403**

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17. Deferred tax assets and liabilities

The amount of deferred tax assets and liabilities by type of temporary difference are as follows:

	2019		
	Assets US$'million	Liabilities US$'million	Net US$'million
Property, plant and equipment	31	(93)	(62)
Intangible assets	4	(415)	(411)
Inventories	17	(1)	16
Trade and other receivables	7	–	7
Provisions	18	–	18
Trade and other payables	198	–	198
Withholding taxes	–	(61)	(61)
Other items	14	–	14
Loss carried forwards	12	–	12
Gross deferred tax assets/(liabilities)	**301**	**(570)**	**(269)**
Netting by taxable entity	**(86)**	**86**	**–**
Net deferred tax assets/(liabilities)	**215**	**(484)**	**(269)**

	2018		
	Assets US$'million	Liabilities US$'million	Net US$'million
Property, plant and equipment	41	(79)	(38)
Intangible assets	4	(423)	(419)
Inventories	15	(1)	14
Provisions	55	–	55
Trade and other payables	196	–	196
Withholding taxes	–	(22)	(22)
Other items	25	(3)	22
Loss carried forwards	6	–	6
Gross deferred tax assets/(liabilities)	**342**	**(528)**	**(186)**
Netting by taxable entity	**(120)**	**120**	**–**
Net deferred tax assets/(liabilities)	**222**	**(408)**	**(186)**

The change in net deferred taxes recorded in the consolidated statement of financial position are as follows:

	2019 US$'million	2018 US$'million
Balance as of 1 January	**(186)**	**(232)**
Recognized in profit or loss	(79)	35
Recognized in other comprehensive income	(2)	(2)
Acquisitions through business combinations	(7)	–
Other movements and effect of changes in foreign exchange rates	5	13
Balance as of 31 December	**(269)**	**(186)**

Most of the temporary differences are related to the fair value adjustments on intangible assets with indefinite useful lives acquired through business combinations. The realization of such temporary differences is unlikely to occur within 12 months.

Tax losses carried forward and deductible temporary differences on which no deferred tax asset is recognized amounted to 443 million US dollar in 2019 and 594 million US dollar in 2018. As of 31 December 2019, 212 million US dollar of these tax losses and deductible temporary differences do not have an expiration date, 19 million US dollar, 51 million US dollar and 41 million US dollar expire within one, two and three years respectively, while 120 million US dollar have an expiration date of more than three 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 Group has no tax planning strategy currently in place to utilize these tax losses and deductible temporary differences.

18. Inventories

	2019 US$'million	2018 US$'million
Raw materials and consumables	187	146
Work in progress	65	60
Finished goods	186	211
Inventories	**438**	**417**

The cost of inventories recognized as an expense in cost of sales amounted to 3,058 million US dollar and 3,240 million US dollar at 31 December 2019 and 2018, respectively.

Impairment losses recognized on inventories amounted to 7 million US dollar and 12 million US dollar at 31 December 2019 and 2018, respectively.

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19. Trade and other receivables

Non-current trade and other receivables

	2019 US$'million	2018 US$'million
Cash deposits for guarantees	39	41
Trade and other receivables	14	14
Non-current trade and other receivables	**53**	**55**

For the nature of cash deposits for guarantees refer to Note 29 Collateral and contractual commitments.

Current trade and other receivables

	2019 US$'million	2018 US$'million
Trade receivables and accrued income	412	376
Trade receivables with AB InBev	37	47
Indirect tax receivable	116	81
Prepaid expenses	48	53
Other receivables	39	23
Current trade and other receivables	**652**	**580**

The carrying amount of trade and other receivables is a good approximation of their fair value as the impact of discounting is not significant.

Trade receivables and trade receivables with AB InBev are due on average less than 90 days from the date of invoicing. There is limited credit risk as the Group does not have significant uncollected amounts. The Group's exposures to credit, currency and interest rate risks are disclosed in Note 3.1 Financial risk factors.

As of 31 December 2019 and 31 December 2018, the aging analysis of current trade receivables and trade receivables with AB InBev, based on due date, is as follows:

	2019 US$'million	2018 US$'million
Not past due	**429**	**399**
Past due as of reporting date:		
Less than 30 days	13	14
Between 30 and 59 days	3	7
Between 60 and 89 days	4	3
Net carrying amount of trade receivables and trade receivables with AB InBev	**449**	**423**

20. Cash and cash equivalents

	2019 US$'million	2018 US$'million
Short-term bank deposits	120	35
Cash and bank accounts	832	850
Cash pool with AB InBev	–	782
Cash and cash equivalents	**952**	**1,667**
Bank overdrafts	**(75)**	**(45)**
	877	**1,622**

The cash in the cash pool with AB InBev was managed as part of a global treasury management function by AB InBev prior to the Listing. The Group has legal ownership over the balances that were notionally cash pooled and these balances are therefore considered cash and bank accounts of the Group. The Group does not have restricted cash.

Prior to the Listing, the Group distributed excess cash amounting to 976 million US dollar to subsidiaries of AB InBev that were not part of the Group.

21. Changes in equity

To prepare for the Listing on The Main Board of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group via a reorganization which was completed on 30 September 2019. The reorganization steps included the transfer at fair value of the subsidiaries of China, South Korea, India, Vietnam, Japan and New Zealand primarily in exchange for the issues of shares to or settlement of loans with AB InBev.

Issued capital

The table below summarizes the changes in issued capital during 2019 since the incorporation of the Company on 10 April 2019.

	Issued Capital	
	Million Shares	US$'thousand
At incorporation	–	–
Issued to AB InBev(1)	11,551	115
Issued as part of the Listing(2)	1,692	17
At 31 December 2019	**13,243**	**132**

(1) On 3 July 2019, the issued share capital of the Company increased through the issue of 7,534,412,000 new shares to a subsidiary of AB InBev in exchange for the transfer of the China business into the Group. On 25 September 2019, the issued share capital of the Company increased through the issue of 4,016,525,000 shares to a subsidiary of AB InBev in exchange for the transfer of the South Korea business into the Group.

Notes to the Consolidated Financial Statements

(2) On 30 September 2019, the Company issued 1,474,704,000 shares as part of the Listing on the Stock Exchange of Hong Kong. On 3 October 2019, the Company listed an additional 217,755,000 shares on the Stock Exchange of Hong Kong under the Over-allotment Option as described in the Company's Prospectus. The Company has appointed a trustee to assist with the administration and vesting of the Share Award Schemes who held 23,000,000 shares in trust, reserved for Share Award Schemes, as at 31 December 2019.

As at 31 December 2019 the total authorized share capital of Budweiser APAC is 180,000 US dollar of which the total un-issued capital is 47,566 US dollar.

Share premium

The share premium of the Company arises from the difference between the par value of shares issued and the fair value of the consideration received.

The share premium of the Company arose from the following transactions:

(1) The issues of shares to AB InBev for the acquisition of the China and South Korea subsidiaries

(2) The issues of shares in the Listing

The application of the share premium account is governed by Section 34(2) of the Companies Law (2013 Revision) of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

Capital reserve

The Group recognized the assets, liabilities and equity of the combining entities at the carrying amounts in the consolidated financial statements of the controlling party, AB InBev, prior to the common control reorganization. The transfer at fair value of the reorganized subsidiaries, in exchange for the issue of shares or settlement of loans with AB InBev, was accounted in equity in the capital reserve amounting to 43,507 million US dollar.

The capital contributions from AB InBev prior to the Listing are presented in the capital reserve.

Dividends

A dividend of US dollar 2.63 cents per share was recommended by the Board of Directors. This represents 35% of the normalized profit attributable to equity holders of Budweiser APAC in FY19. The proposed dividend is subject to the approval of the Shareholders at the forthcoming AGM of the Company. The dividend paid will be recognized in the consolidated financial statement on the date that the dividend is declared.

Other reserves

Other reserves comprise translation reserves, hedging reserves and post-employment benefits. The translation reserves comprise all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

	2019		
	Translation reserves US$'million	Other US$'million	Total US$'million
Balance as of 1 January 2019	**(323)**	**1**	**(322)**
Other comprehensive income			
Exchange loss on translation of foreign subsidiaries	(231)	–	(231)
Cash flow hedges	–	(4)	(4)
Re-measurement of post-employment benefits	–	2	2
Total comprehensive income	**(231)**	**(2)**	**(233)**
Reclassification of amounts from capital reserve	–	(1)	(1)
Balance as of 31 December 2019	**(554)**	**(2)**	**(556)**

	2018		
	Translation reserves US$'million	Other US$'million	Total US$'million
Balance as of 1 January 2018	**172**	**6**	**178**
Other comprehensive income			
Exchange loss on translation of foreign subsidiaries	(495)	–	(495)
Cash flow hedges	–	(1)	(1)
Re-measurement of post-employment benefits	–	(4)	(4)
Total comprehensive income	**(495)**	**(5)**	**(500)**
Balance as of 31 December 2018	**(323)**	**1**	**(322)**

Notes to the Consolidated Financial Statements

22. Interest-bearing loans and borrowings

This Note provides information about the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign exposure currency risk – refer to Note 3.1.

Non-Current Liabilities	2019 US$'million	2018 US$'million
Loans with AB InBev	–	473
Lease liabilities	28	30
Non-current interest-bearing loans and borrowings	**28**	**503**

Current Liabilities	2019 US$'million	2018 US$'million
Secured bank loans	3	6
Unsecured bank loans and other loans	135	37
Lease liabilities	22	24
Current interest-bearing loans and borrowings	**160**	**67**

The current and non-current interest-bearing loans and borrowings amounted to 188 million US dollar as of 31 December 2019 and 570 million US dollar as of 31 December 2018.

The Group had loans with AB InBev entities outside the Group of 473 million US dollar as of 31 December 2018. The related loan receivables held by AB InBev subsidiaries outside the Group were transferred or repaid to the Group or repaid upon the Listing, thereby eliminating these borrowings.

The Group was in compliance with all its debt covenants as of 31 December 2019 and 31 December 2018.

The amounts in the table below include both the principal amount of the lease liabilities and estimated interest payments.

Lease Liabilities	2019 US$'million	2018 US$'million
Less than one year	25	24
Between one and two years	15	16
Between two and three years	7	10
Between three and five years	5	8
More than five years	12	11
	64	**69**

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows from financing activities.

	2019 Long-term debt, net of current portion US$'million	Short-term debt and current portion of long-term debt US$'million	Total US$'million
Balance as of 1 January 2019	**503**	**67**	**570**
Proceeds from borrowings	–	236	236
Payments on borrowings	–	(138)	(138)
Payments on Loans with AB InBev	(6,010)	–	(6,010)
Capitalization of Loans with AB InBev	(64)	–	(64)
Proceeds from Loans with AB InBev	5,605	–	5,605
Payments of lease liabilities	–	(33)	(33)
Capitalization of lease	29	–	29
Foreign exchange effects	(5)	(2)	(7)
Current portion of long-term debt	(30)	30	–
Balance as of 31 December 2019	**28**	**160**	**188**

	2018 Long-term debt, net of current portion US$'million	Short-term debt and current portion of long-term debt US$'million	Total US$'million
Balance as of 1 January 2018	**1,075**	**43**	**1,118**
Proceeds from borrowings	3	49	52
Payments on borrowings	–	(55)	(55)
Payments on Loans with AB InBev	(545)	–	(545)
Payments of lease liabilities	–	(30)	(30)
Capitalization of lease	36	–	36
Foreign exchange effects	(4)	(2)	(6)
Current portion of long-term debt	(62)	62	–
Balance as of 31 December 2018	**503**	**67**	**570**

Notes to the Consolidated Financial Statements

23. Employee benefits

The Group sponsors various post-employment benefit plans. 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, the Group 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. Contributions paid into defined contribution plans for the Group amounted to 3 million US dollar and 2 million US dollar for the years ended 31 December 2019 and 2018, respectively.

Defined benefit plans

The Group contributed to defined benefit plans for South Korea. 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 the country.

The employee benefit net liability amounted to 34 million US dollar as of 31 December 2019 and 26 million US dollar as of 31 December 2018.

The expense recognized in the consolidated income statement with regards to defined benefit plans amounted to 15 million US dollar and 11 million US dollar for the years ended 31 December 2019 and 2018, respectively.

24. Share-based payments

Different share and share option programs allow the Group's senior management to receive or acquire shares of Budweiser APAC and AB InBev.

The Company has four Share Award Schemes approved by the Board and by the Shareholders on 9 September 2019, namely:

(i) the Discretionary Restricted Stock Units Plan;

(ii) the Share-Based Compensation Plan;

(iii) the People Bet Plan; and

(iv) the Discretionary Long-Term Incentive Plan (the "LTI Plan").

Historically, the Group did not have its own share capital and the share-based compensation plans relate to shares of AB InBev. The Group's key personnel participate in AB InBev's share-based incentive plans. The consolidated financial statements include allocations of the cost recorded at AB InBev based on the number of the Group's employees participating in each scheme. Share options in the parent company are recognized in retained earnings in equity.

In December 2019, Budweiser APAC set up a new long term incentive plan in which senior employees are eligible for an annual long-term incentive to be paid out in Budweiser APAC stock options (or, in the future, similar share-based instruments), depending on management's assessment of the employee's performance and future potential. In 2019, Budweiser APAC granted 9 million stock options with an estimated fair value of 10 million US dollar. Out of these, 3.1 million stock options were granted to senior employees.

Additionally, Budweiser APAC setup a new discretionary restricted stock units plan which allows for the offer of restricted stock units to certain employees in certain specific circumstances, at the discretion of the Board, e.g. as a special retention incentive. The restricted stock units vest after five years and in the event that an employee's service is terminated before the vesting date, special forfeiture rules apply. In 2019, 4 million restricted stock units with an estimated fair value of 13 million US dollar were granted under this program to a selected number of employees. Out of these, 2.4 million restricted stock units were granted to senior employees.

The Budweiser APAC stock options and stock units will be reflected in the consolidated financial statements for the year ending 31 December 2020 and onwards.

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 of the Group's shared-based payment plans are equity-settled.

Notes to the Consolidated Financial Statements

25. Provisions

2019	Restructuring US$'million	Disputes and others US$'million	Total US$'million
Balance as of 1 January 2019	**51**	**217**	**268**
Effect of changes in foreign exchange rates	(1)	(3)	(4)
Provisions made	24	1	25
Provisions used	(33)	(1)	(34)
Reclassified to income tax payable	–	(106)	(106)
Balance as of 31 December 2019	**41**	**108**	**149**

2018	Restructuring US$'million	Disputes and others US$'million	Total US$'million
Balance as of 1 January 2018	**56**	**229**	**285**
Effect of changes in foreign exchange rates	(3)	(10)	(13)
Provisions made	33	1	34
Provisions used	(34)	(4)	(38)
Other movements	(1)	1	–
Balance as of 31 December 2018	**51**	**217**	**268**

The restructuring provisions are primarily explained by the organizational alignments, refer to Note 7 Non-recurring items. Provisions for disputes mainly relate to various disputed indirect taxes and claims from former employees.

The provisions are expected to be settled within the following time windows for 31 December 2019:

	Total US$'million	< 1 year US$'million	1-2 years US$'million	2-5 years US$'million	> 5 years US$'million
Restructuring	**41**	**10**	**2**	**13**	**16**
Indirect taxes	51	–	–	1	50
Labor	38	–	–	32	6
Other disputes	19	3	8	8	–
Disputes and others	**108**	**3**	**8**	**41**	**56**
Total provisions	**149**	**13**	**10**	**54**	**72**

The provisions are expected to be settled within the following time windows for 31 December 2018:

	Total US$'million	< 1 year US$'million	1-2 years US$'million	2-5 years US$'million	> 5 years US$'million
Restructuring	**51**	**14**	**–**	**37**	**–**
Income and indirect taxes	95	1	4	–	90
Labor	43	–	7	30	6
Other disputes	79	3	–	76	–
Disputes and others	**217**	**4**	**11**	**106**	**96**
Total provisions	**268**	**18**	**11**	**143**	**96**

26. Trade and other payables, payables with AB InBev, consigned packaging and contract liabilities

Non-current trade and other payables

	2019 US$'million	2018 US$'million
Contingent and deferred consideration on acquisitions	135	10
Other payables	–	19
Non-current trade and other payables	**135**	**29**

Current trade and other payables

	2019 US$'million	2018 US$'million
Trade payables and accrued expenses	1,930	1,891
Payroll and social security payables	89	119
Indirect taxes payable	328	360
Contingent and deferred consideration on acquisitions	110	6
Other payables	137	171
Current trade and other payables	**2,594**	**2,547**

Notes to the Consolidated Financial Statements

Current payables with AB InBev

	2019 US$'million	2018 US$'million
Payables with AB InBev	**222**	**405**

The Group pays the outstanding balances to the creditors according to the credit terms. Trade payables and payables to AB InBev are on average due within 120 days from the invoice date. As of 31 December 2019 and 31 December 2018 trade payables and payables to AB InBev were 2,152 million US dollar and 2,296 million US dollar, respectively.

Current consigned packaging and contract liabilities

	2019 US$'million	2018 US$'million
Consigned packaging	380	391
Contract liabilities	880	893
Consigned packaging and contract liabilities	**1,260**	**1,284**

Consigned packaging represents deposits paid by the Group's customers for use of the Group's returnable packaging which are assets controlled by the Group.

27. Acquisitions and disposals of subsidiaries

The table below summarizes the impact of acquisitions on the consolidated statement of financial position and consolidated statement of cash flows of the Group for 31 December 2019 and 2018.

	2019 Acquisitions US$'million	2018 Acquisitions US$'million
Non-current assets		
Property, plant and equipment	–	1
Intangible assets	33	–
Current assets		
Inventory	30	–
Trade and other receivables	8	–
Cash and cash equivalents	9	–
Non-current liabilities		
Deferred tax liabilities	(7)	–
Current liabilities		
Trade and other payables	(17)	(1)
Income tax payable	(2)	–
Net identifiable assets and liabilities	**54**	**–**
Non-controlling interest	**(19)**	**–**
Goodwill on acquisitions (Note 13)	375	7
Consideration to be paid	(232)	(4)
Net cash paid on prior year acquisitions	7	1
Consideration paid	**185**	**4**
Cash acquired	(9)	–
Net cash outflow	**176**	**4**

On 18 December 2018, the Group entered into an acquisition agreement with Jebsen Beverage Company Limited among others, to acquire 65% of the registered capital of Jebsen Beverage (China) Company Limited which is principally engaged in the marketing, distribution, sale and commercialization of the Blue Girl and other brands of beer and other malt-based beverages in Mainland China (excluding Hong Kong, Macau and Taiwan). Completion of the Blue Girl transaction took place on 30 May 2019.

The contingent consideration and deferred consideration as at 31 December 2019 are 31 million US dollar and 214 million US dollar, respectively.

There were no disposals in 2019 and 2018.

Notes to the Consolidated Financial Statements

28. Financial instrument by categories

Set out below is an overview of financial assets and financial liabilities held by the Group as of each year:

	2019 US$'million	2018 US$'million
Financial assets at amortized cost		
Trade and other receivables, excluding non-financial assets	541	501
Cash pooling deposits to AB InBev	40	–
Cash and cash equivalents	952	1,667
	1,533	**2,168**
Financial assets at fair value through profit or loss		
Derivatives	14	12
	1,547	**2,180**
Financial liabilities at fair value through profit or loss		
Contingent consideration on acquisitions	31	–
Derivatives	10	1
	41	**1**

All financial liabilities are recorded at amortized cost.

29. Collateral and contractual commitments

	2019 US$'million	2018 US$'million
Collateral given for own liabilities	132	136
Contractual commitments to purchase property, plant and equipment	92	113
Other commitments	24	14
	248	**263**

The collateral given for own liabilities of 132 million US dollar as of 31 December 2019 and 136 million US dollar as of 31 December 2018 includes South Korea's collateral on property in favor of the excise tax authorities. The Group has entered into commitments to purchase property, plant and equipment for an amount of 92 million US dollar as of 31 December 2019 and 113 million US dollar as of 31 December 2018. Other commitments amount to 24 million US dollar as of 31 December 2019 and 14 million US dollar as of 31 December 2018 and mainly cover guarantees given to pension funds, rental and other guarantees.

30. Related parties

Transactions with directors and executive board management members (key management personnel)

In addition to short-term employee benefits (primarily salaries) the Group's management members are entitled to post-employment benefits. In particular, members of management participate in the pension plan of their respective country, refer to Note 23 Employee Benefits. Key management personnel are also eligible for Budweiser APAC and AB InBev share options; restricted stock and/or share swap program (refer Note 24 Share-based Payments). Total management compensation included in the consolidated income statement are as follows:

	2019 US$'thousand	2018 US$'thousand
Short-term employee benefits	11,130	14,606
Retirement scheme contributions	223	135
Share-based payments	6,879	5,351
	18,232	**20,092**

Transactions with AB InBev Group entities

An overview of related party transactions with other AB InBev Group entities is as follows:

	2019 US$'million	2018 US$'million
Purchases of finished goods from AB InBev	148	296
Service fees, procurement fees and royalties	134	137
Interest on loans with AB InBev	17	27
Other transactions with AB InBev	(5)	(17)
Capital contribution by AB InBev	(121)	(249)

The majority of the transactions in the table above are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules.

Notes to the Consolidated Financial Statements

An overview of related party balances with other AB InBev entities is as follows:

	2019 US$'million	2018 US$'million
Trade receivables with AB InBev	37	47
Cash pooling deposits to AB InBev	40	–
Payables with AB InBev	(222)	(424)
Cash pooling loans from AB InBev	50	–
Loans with AB InBev	–	(473)
Derivative financial liabilities	(10)	–

Transactions with associates

Significant interest in an associate is shown in Note 16 Investment in associates. The Group did not have transactions with associates during the years ended 31 December 2019 and 31 December 2018, except for the dividend distribution from an associate to the Group as described in Note 16 Investment in Associates.

31. Subsequent events

The impact of the COVID-19 virus outbreak on our business continues to evolve. We are expecting a decline in revenue and in profit from operations as compared to the same period in 2019, driven by the impact from the outbreak. The outbreak is a non-adjusting post-balance sheet event. We do not consider that this has any impact on the carrying value of assets or liabilities at 31 December 2019. Refer to Note 3.1.5 for further information on liquidity.

32. Earnings per share

The calculation of basic earnings per share is computed in the table below.

	2019	2018
Earnings attributable to shareholders (Million US Dollar)	898	958
Weighted average number of shares in issue (shares)	11,971,094,492	11,550,938,000
Earnings per share (cent USD)	**7.50**	**8.29**

Dilutive equity instruments have no impact to the calculation of earnings per share for the years ended 31 December 2019 and 2018. For the calculation of the weighted average number of shares in issue, the shares issued as part of the reorganization were adjusted retrospectively on the basis that the new structure had been in issue throughout the periods presented.

The calculation of adjusted earnings per share is computed in the table below.

	2019	2018
Normalized earnings attributable to shareholders (Million US Dollar)	994	1,012
Adjusted weighted average number of shares in issue (shares)	13,220,397,000	13,220,397,000
Adjusted basic and diluted earnings per share (cent USD)	**7.52**	**7.65**

Adjusted weighted average number of shares in issue and adjusted basic and diluted earnings per share are calculated on the assumption that the shares issued by the Company for the Listing existed throughout the years ended 31 December 2019 and 2018.

The reconciliation of basic and diluted earnings per share to adjusted basic and diluted earnings per share is shown in the table below.

	2019	2018
Basic and diluted earnings per share	**7.50**	**8.29**
Non-recurring items, before tax	0.82	0.36
Non-recurring finance cost, before tax	0.07	0.18
Non-recurring taxes	(0.08)	(0.08)
Adjusted weighted average number of shares in issue	(0.79)	(1.10)
Adjusted basic and diluted earnings per share	**7.52**	**7.65**

Notes to the Consolidated Financial Statements

33. Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and Hong Kong Listing Rules)

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

a. Directors' and Managing Director's emoluments

Remuneration was paid to one Director, the Managing Director and three Independent Non-executive Directors as set out below:

	2019						
	Directors' Fees US$' thousand	Salaries, allowance and benefit in kind US$' thousand	Discretionary bonuses US$' thousand	Retirement scheme contributions US$' thousand	Sub-total US$' thousand	Share-based payments US$' thousand	Total US$' thousand
Executive Directors							
Jan Craps	–	1,102	754	–	1,856	1,159	3,015
Renrong Wang (Frank)	–	593	245	15	853	708	1,561
Independent Non-executive Directors							
Martin Cubbon (appointed on 2 July 2019)	52	–	–	–	52	–	52
Mun Tak Marjorie Yang (appointed on 2 July 2019)	41	–	–	–	41	–	41
Katherine King-suen Tsang (appointed on 2 July 2019)	41	–	–	–	41	–	41

The two Non-executive Directors received nil emoluments during the year ended 31 December 2019.

	2018						
	Directors' Fees US$' thousand	Salaries, allowance and benefit in kind US$' thousand	Discretionary bonuses US$' thousand	Retirement scheme contributions US$' thousand	Sub-total US$' thousand	Share-based payments US$' thousand	Total US$' thousand
Executive Directors							
Jan Craps	–	827	1,526	–	2,353	712	3,065
Renrong Wang (Frank)	–	666	658	8	1,332	567	1,899

b. Directors' retirement benefits

During the years ended 31 December 2019 and 2018, no retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Group.

c. Directors' termination benefits

No payment was made to directors as compensation for early termination of the appointment during the years ended 31 December 2019 and 2018.

d. Consideration provided to third parties for making available directors' services

No payment was made to third parties for making available directors' services during the years ended 31 December 2019 and 2018.

e. Information about loans, quasi-loans and other dealings in favor of directors, their controlled bodies corporate by and connected entities with such directors

There are no other loans, quasi-loans and other dealings in favor of directors, their controlled bodies corporate and connected entities with such directors during the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements

34. Subsidiaries

The table below lists the principal subsidiaries of the Group as at 31 December 2019 and 31 December 2018:

Name	Country of incorporation	Date of incorporation	Issued and fully paid share capital/ registered capital (million, except for shares)	Effective interest held by Bud APAC as of 31 December 2019	31 December 2018	Date of this report	Principal activities and place of operation
Anheuser-Busch InBev (China) Sales Co., Ltd.[1]	PRC	26 April 2005	CNY50/CNY50	**100%**	100%	100%	Operating company PRC
Anheuser-Busch InBev (Wuhan) Brewery Co., Ltd.[2]	PRC	26 January 1995	CNY978/USD117	**97.06%**	97.06%	97.06%	Operating company PRC
Anheuser-Busch InBev (Foshan) Brewery Co., Ltd.[1]	PRC	9 March 2007	CNY1,105/USD160	**100%**	100%	100%	Operating company PRC
Anheuser-Busch InBev Harbin Brewery Co., Ltd.[1]	PRC	9 October 1995	CNY1,001/CNY1,001	**100%**	100%	100%	Operating company PRC
Anheuser-Busch InBev (Tangshan) Brewery Co., Ltd.[1]	PRC	13 November 2002	CNY760/CNY930	**100%**	100%	100%	Operating company PRC
Anheuser-Busch InBev Sedrin Brewery Co., Ltd.[1]	PRC	5 February 2002	CNY410/CNY410	**100%**	100%	100%	Operating company PRC
Anheuser-Busch InBev Sedrin (Zhangzhou) Brewery Co., Ltd.[1]	PRC	13 December 2010	CNY282/USD43	**100%**	100%	100%	Operating company PRC
Anheuser-Busch InBev (Taizhou) Brewery Co., Ltd.[1]	PRC	5 July 2004	CNY227/CNY227	**100%**	100%	100%	Operating company PRC
Anheuser-Busch InBev Sedrin (Nanchang) Brewery Co., Ltd.[2]	PRC	29 August 1994	CNY248/USD35	**100%**	100%	100%	Operating company PRC
Siping Ginsber Draft Beer Co., Ltd.[1]	PRC	17 November 2011	CNY482/CNY482	**100%**	100%	100%	Operating company PRC
Anheuser-Busch InBev (Nantong) Brewery Co., Ltd.[3]	PRC	24 August 2011	CNY200/CNY200	**100%**	100%	100%	Operating company PRC
Anheuser-Busch InBev (Sichuan) Brewery Co., Ltd.[1]	PRC	23 July 2010	CNY230/CNY230	**100%**	100%	100%	Operating company PRC

Name	Country of incorporation	Date of incorporation	Issued and fully paid share capital/ registered capital (million, except for shares)	Effective interest held by Bud APAC as of 31 December 2019	31 December 2018	Date of this report	Principal activities and place of operation
Anheuser-Busch InBev (Henan) Brewery Co., Ltd.[1]	PRC	11 May 2011	CNY168/CNY302	**100%**	100%	100%	Operating company PRC
InBev Jinlongquan (Hubei) Brewery Co., Ltd.[2]	PRC	20 December 1995	CNY498/USD60	**60%**	60%	60%	Operating company PRC
Anheuser-Busch InBev (Suqian) Brewery Co., Ltd.[1]	PRC	30 December 2011	CNY200/CNY200	**100%**	100%	100%	Operating company PRC
Anheuser-Busch InBev (Baoding) Brewery Co., Ltd.[1]	PRC	15 November 2012	CNY235/CNY235	**100%**	100%	100%	Operating company PRC
Anheuser-Busch InBev (Shanghai) Sales Co., Ltd.[1]	PRC	18 December 2014	N/A/USD1.66	**100%**	100%	100%	Operating company PRC
Crown Beers India Private Limited	India	22 January 2007	INR 5,846	**100%**	100%	100%	Operating company India
Anheuser-Busch InBev India Limited	India	18 November 1988	INR4,640 (2018: INR4,086)	**99.57%**	99.57%	99.71%	Holding company India
Oriental Brewery Co., Ltd	South Korea	22 May 1952	KRW 20,000	**100%**	100%	100%	Operating company South Korea
Anheuser-Busch InBev Vietnam Brewery Company Limited	Vietnam	29 June 2012	USD118	**100%**	100%	100%	Operating company Vietnam

(1) These companies were established in the PRC in the form of wholly foreign owned enterprise.

(2) These companies were established in the PRC in the form of sino-foreign equity joint venture enterprise.

(3) This company was established in the PRC in the form of investment solely by legal corporation or controlled by a natural person.

(4) The English names of certain subsidiaries referred herein represent the Directors' best effort at translating the Chinese names of the companies as no English names have been registered.

Notes to the Consolidated Financial Statements

35. Company Statement of Financial Position and Reserves

The table below shows the statement of financial position of the Company, Budweiser Brewing Company APAC Limited, on a standalone basis.

Company Statement of Financial Position

	2019 US$'million
ASSETS	
Non-current assets	
Intangible assets	12
Investment in subsidiaries	44,107
Total non-current assets	**44,119**
Current assets	
Cash pooling deposits to AB InBev	6
Cash and cash equivalents	60
Total current assets	**66**
Total assets	**44,185**
EQUITY AND LIABILITIES	
Equity	
Issued capital	–
Share premium	43,591
Reserves	(64)
Total equity	**43,527**
Non-current liabilities	
Loan from subsidiaries	222
Total non-current liabilities	**222**
Current liabilities	
Loan from subsidiaries	375
Other payables with AB InBev	52
Other payables with subsidiaries	1
Other payables	8
Total current liabilities	**436**
Total equity and liabilities	**44,185**

The Company's financial statements were approved by the Board of Directors on 26 February 2020 and were signed on its behalf.

Jan Craps
Director

Renrong Wang (Frank)
Director

The table below shows the statement of changes in equity of the Company, Budweiser Brewing Company APAC Limited, on a standalone basis.

Company Statement of Changes in Equity

	Share capital US$'million	Share premium US$'million	Accumulated losses US$'million	Total US$'million
Loss for the period from 10 April 2019 (date of incorporation) to 31 December 2019 (Note)	–	–	(64)	(64)
Issuance of ordinary shares	–	43,652	–	43,652
Costs associated with Listing	–	(61)	–	(61)
31 December 2019	**–**	**43,591**	**(64)**	**43,527**

Note: The loss for the period is mainly due to expenses incurred related to the Listing.

Three-year Financial Summary

Results

US$' million	2017	2018	2019
Revenue	6,099	6,740	6,546
Profit before taxation	879	1,255	1,367
Taxation	(307)	(296)	(459)
Profit for the year	**572**	**959**	**908**
Profit for the year attributable to:			
Equity holders of Budweiser APAC	574	958	898
Non-controlling interests	(2)	1	10
	572	**959**	**908**

Assets and liabilities

US$' million	2017	2018	2019
Total assets	16,760	15,862	15,308
Total liabilities	(6,413)	(5,690)	(5,424)
Total equity	**10,347**	**10,172**	**9,884**
Equity attributable to equity holders of Budweiser APAC	10,328	10,153	9,836
Non-controlling interests	19	19	48
Total equity	**10,347**	**10,172**	**9,884**

Corporate Information

Budweiser Brewing Company APAC Limited
Incorporated in the Cayman Islands with limited liability

Board of Directors

Executive Directors

Jan Craps *(Co-Chair of the Board)*
Renrong Wang (Frank)

Non-executive Directors

Carlos Brito *(Co-Chair of the Board)*
Felipe Dutra

Independent Non-executive Directors

Martin Cubbon
Mun Tak Marjorie Yang
Katherine King-suen Tsang

Audit Committee

Martin Cubbon *(Chair)*
Katherine King-suen Tsang
Felipe Dutra

Nomination Committee

Carlos Brito *(Chair)*
Mun Tak Marjorie Yang
Martin Cubbon

Remuneration Committee

Mun Tak Marjorie Yang *(Chair)*
Katherine King-suen Tsang
Carlos Brito

Authorized Representatives

Renrong Wang (Frank)
Chan Wai Ling

Joint Company Secretaries

Renrong Wang (Frank)
Chan Wai Ling (FCIS, FCS(PE))

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

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1 Matheson Street
Causeway Bay
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Agent

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Compliance Advisor

Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central Central,
Hong Kong

Hong Kong Share Registrar

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Corporate Information

Auditor and Reporting Accountant

PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor

Stock Code

1876

Website

www.budweiserapac.com

Definitions

"1H20"	the six months ending 30 June 2020
"2H19"	the six months ended 31 December 2019
"4Q18"	the three months ended 31 December 2018
"4Q19"	the three months ended 31 December 2019
"AB InBev"	Anheuser-Busch InBev SA/NV (Euronext: ABI; NYSE: BUD; MEXBOL: ANB; JSE: ANH) (which incorporated for an unlimited duration under the laws of Belgium), or the AB InBev Group, as the context requires. AB InBev is the controlling shareholder of the Company
"AB InBev Group"	AB InBev and its subsidiaries (excluding the Group)
"AB InBev Products"	products offered for sale under brands that are owned or acquired by or licensed to the AB InBev Group
"Ambev"	Ambev S.A., a Brazilian company listed on the New York Stock Exchange (NYSE: ABEV) and on the São Paulo Stock Exchange (BVMF: ABEV3), and successor of Companhia de Bebidas das Américas – Ambev and a non-wholly-owned subsidiary of AB InBev
"APAC North"	North Asia Pacific, covering BU China and BU East Asia before the combination with APAC South in January 2019
"APAC South"	South Asia Pacific, covering BU Australia and New Zealand, BU South Asia and BU Southeast Asia before the combination with APAC North in January 2019
"APAC Territories"	(1) Australia; (2) Bangladesh; (3) Bhutan; (4) Brunei Darussalam; (5) Burma (Myanmar); (6) Cambodia; (7) China (including Hong Kong, Macau and Taiwan); (8) Cook Islands; (9) Federated States of Micronesia; (10) Fiji; (11) India; (12) Indonesia; (13) Japan; (14) Kiribati; (15) Laos; (16) Malaysia; (17) Maldives; (18) Marshall Islands; (19) Mongolia; (20) Nauru; (21) Nepal; (22) New Caledonia; (23) New Zealand; (24) Niue; (25) Palau; (26) Papua New Guinea; (27) Philippines; (28) Republic of Korea (South Korea); (29) Samoa; (30) Singapore; (31) Solomon Islands; (32) Sri Lanka; (33) Thailand; (34) Timor Leste (35) Tonga; (36) Tuvalu; (37) Vanuatu; (38) Vietnam; and (39) Wallis and Futuna
"Articles" or "Articles of Association"	the articles of association of the Company (as amended from time to time), conditionally adopted on 9 September 2019 and which became effective upon Listing
"Asia Pacific East" or "APAC East"	one of the Group's two operating and reporting segments, comprising primarily South Korea, Japan and New Zealand

Definitions

"Asia Pacific West" or "APAC West"	one of the Group's two operating segments, comprising China, India, Vietnam and exports elsewhere in Asia Pacific
"Board" or "Board of Directors"	the board of directors of the Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "Budweiser APAC"	Budweiser Brewing Company APAC Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 10 April 2019
"controlling shareholder"	has the meaning given to it in the Listing Rules and, unless the context requires otherwise, refers to AB InBev
"Corporate Governance Code"	Appendix 14 to the Listing Rules, as amended or supplemented from time to time
"Deed of Non-competition"	the deed of non-competition dated 12 September 2019 entered into between the Company and AB InBev to limit possible future competition between the parties with effect from the Listing Date
"Director(s)"	the director(s) of the Company
"EUR" or "Euro"	euros, the lawful currency of the European Union
"FY" or "financial year"	financial year ended or ending 31 December
"FY18"	the financial year ended 31 December 2018
"FY19"	the financial year ended 31 December 2019
"Group," "we," "our" or "us"	the Company and its subsidiaries
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"KRW"	South Korean won, the lawful currency of South Korea
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange

"Listing Date"	30 September 2019, being the date on which the Shares were first listed and from which dealings in the Shares were permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company adopted by a special resolution on 10 April 2019, as amended from time to time
"Memorandum and Articles of Association"	the Memorandum and the Articles
"normalized"	performance measures (EBITDA and EBIT) before non-recurring items
"PRC" or "China"	the People's Republic of China, but for the purposes of this annual report only, except where the context requires, references in this annual report to PRC or China exclude Hong Kong, Macau and Taiwan
"Prospectus"	the Company's prospectus dated 18 September 2019
"RMB"	Renminbi, the lawful currency of the PRC
"RSUs"	restricted stock units, being contingent rights to receive from the Company Shares which are granted pursuant to the Share Award Schemes
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share Award Schemes"	the Discretionary Restricted Stock Units Plan, the Share-Based Compensation Plan, the People Bet Plan, and the Discretionary Long-Term Incentive Plan of the Company approved by the Board and by the Shareholders on 9 September 2019 for the grant of, among others, RSUs and share options to eligible participants
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary shares in the share capital of the Company with a nominal value of USD0.00001 each
"South Korea"	the Republic of Korea
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Definitions

"UK"	the United Kingdom
"US" or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US Securities Act"	the United States Securities Act of 1933, as amended
"USD"	dollars, the lawful currency of the US

In this annual report, unless the context otherwise requires, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.

Certain amounts and percentage figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This glossary contains explanations of certain terms used in this annual report in connection with the Group and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

"BU"	business unit
"FMCG"	fast-moving consumer goods
"GDP"	gross domestic product
"hl"	hectoliter
"R&D"	research and development
"SG&A"	selling, general and administrative expenses

Budweiser

BUDWEISER BREWING COMPANY APAC LIMITED
百 威 亞 太 控 股 有 限 公 司