

Financial report

Consolidated financial statements

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Management Report On Consolidated Financial Statements

Here we review the activities, operational results and financial circumstances of the Group Interbrew for the fiscal year ended December 31, 1998, as against the fiscal year ended December 31, 1997. This information should be read in conjunction with the Group's 1998 Consolidated Financial Statements.

There were some significant changes to the scope of our business in 1998:

1. China, Montenegro and Korea (50/50 joint venture fully consolidated) were added to the Group. Our Russian acquisition was not consolidated in 1998 results, but will be consolidated in 1999.
2. We increased our investment in Femsa from 22% to 30%, leading to a change of treatment in our accounts. We now treat Mexico as an equity investment. The change in method from cost to equity, reflects our long term commitment to the country.

The implications of these changes to the scope variances of the Group are noted where appropriate.

RESULTS OF OPERATIONS

Volume increased in 1998 over 1997 by 11%, to 38.6 million hectoliters. The main factors behind this rise were:

- higher sales in Eastern Europe and in North America,
- the addition of Korea to our business, and
- increased export and license sales.

The split in volume between growth markets and mature markets was 23% - 77%, an increase of 7 points in the percentage for growth markets, as a consequence of the increased volume from Eastern Europe and the introduction of Korea into our business.

On a consolidated basis, our net sales revenues (gross sales less discounts and excise taxes) grew by 7.3% up from 106.6 billion Bef in 1997 to 114.4 billion Bef in 1998. This increase in sales revenues reflected an increase in sales volumes, price increases in certain countries and the inclusion of Korea. Korea accounted for 38% of the additional revenues.

Despite inflation, variable costs remained stable and fixed costs showed a decrease. These savings and more were invested behind our brands, to support future volume and share growth, and build brand equity. Expenses increased by 7.6% compared with 1997. Much of the increase, 41%, was directly related to Korea.

Operating profit grew by 7.9% from 14.3 billion Bef in 1997 to 15.4 billion Bef in 1998. Operating margins rose 0.1 percentage points to 13.5%. Operating profit continued to be relatively evenly split between the two zones - the Americas and E.A.A. (Europe, Africa and Asia).

Interest paid increased to 4.6 billion Bef, as our borrowings rose to help fund both the Korean investment and consolidation, and the increased holding in Mexico. Lower interest rates combined with our strong operating performance helped offset some of this increase. Our cash interest cover decreased from 6.3 times in 1997 to 4.8 times in 1998. We continue to manage our debt prudently to minimize borrowing costs and reduce related risks, and are gradually tapping new sources of finance such as the private investor's markets in the US.

No significant extraordinary income items occurred during 1998. Extraordinary expenses for the Group in 1998 amounted to 1.8 billion Bef, and were mainly related to restructuring projects and provisions relating to assets held for sale. Several initiatives were taken to reduce the cash drain from these assets held for sale.

Equity income increased by 1.1 billion Bef in 1998, mainly due to the treatment of Femsa as an equity investment after we purchased an additional 8% in May 1998, increasing our holding to 30%.

Net profit after tax (after minority interests) increased by 44% from 5.3 billion Bef in 1997 to 7.7 billion Bef in 1998, mainly due to improved operational performance and equity income from Mexico.

The group has material foreign operations, transactions and balances denominated in foreign currencies. The accounts of foreign subsidiaries and associated companies are translated in Belgian francs in accordance with official exchange rates. Average exchange rates are used for the income statement and year end rates are used for the balance sheet. The significant movement in exchange rates during the year was the weakening of the Canadian dollar against the Belgian franc.

The Group operates in a number of countries where inflation rates continue to be high. Therefore, in evaluating the performance of operating units in the income statement, the Group adjusts results for the effects of inflation.

Inflation affects the way we do business in many markets around the world, particularly the emerging markets. In our operations we attempt to offset increasing costs and generate cash flow by appropriate price increases.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Our net financial debt as at December 31, 1998 totaled 71 billion Bef, an increase over 1997 of 20 billion Bef. This increase is explained by the incremental borrowing to finance the increase in our Mexican stake to 30%, and our new investment in Korea. The 100% incorporation of Korean debt also explains part of the increase.

Cash flows as defined in the Performance Highlights section increased by 5.5% from 18.3 billion Bef in 1997 to 19.3 billion Bef in 1998, due mainly to the increase in operating earnings.

The operational free cash flow (operational cash flow plus/minus proceeds on disposal/acquisition of intangible and tangible fixed assets) remained at 11.7 billion Bef, resulting from our good operating performance offset by an increase in capital expenditures and cash out for provisions recorded last year. The dividends to be paid in 1999 increased by 20% to 1.9 billion Bef, while the payout as a percentage of net profit after tax was 25%.

In 1998 the ROCE decreased by 0.7 percentage points to 13.5%, due to the full consolidation of Oriental Brewery, which made a low contribution because of seasonality (last 4 months of 1998). The equity income for Femsa was for this calculation treated as a return. ROE rose 4.8 percentage points to 16.6%, due to the substantial increase in net profit after tax.

OTHERS

The Euro is a reality. As of January 1, 1999, exchange rates between participating member countries were replaced by irrevocably locked conversion rates to the Euro.

The European System of Central Banks now operates a single monetary policy using the Euro, and conducts all foreign exchange operations in Euros. The changeover continues and will be complete on July 1, 2002.

How quickly corporations and individuals will take up the Euro is still not clear but the speed will increase as attitudes change. The Group sees benefits in the Euro, in terms of trading, handling and processing, and is in the process of capitalizing on any opportunities and managing any risks that the introduction of the Euro may bring.

The Group conducted a comprehensive review of its computer and other automated systems, and identified those mission-critical systems that may be affected by the millennium bug as the date changes to 2000. This problem is shared with all companies that rely on these systems. If not rectified, it may cause malfunctions in certain of the Group's processes. Plans are in place to prevent any serious adverse effect on the Group. However there can be no guarantee that processes we rely on which are operated by another company will not be affected. The Group is working with its customers and suppliers to ensure their compliance, and to avoid any interruption to our business. Contingency plans will be in place to minimize any effect that this issue may have on the Group.

We continue to invest in environmental friendly capital expenditure in mature and emerging markets. Our close cooperation with several reputable universities was sustained, in order to maximize our technical environmental standards.

Interbrew's broad coverage of markets and countries will provide the platform for continued growth in investment and financial performance. Our presence in emerging markets will obviously lead to increased capital expenditure in the future. Interbrew's organic growth will come from increased volumes and reduced costs. We will seek improved production planning and supply chain management through innovative reengineering projects, such as Interbrew 21 in the E.A.A. zone and Business Transformation in the Americas. Organic growth will be supported by external growth. We have been entering more volatile markets, such as Russia and Asia, and these bring increased risks and opportunities. The Group will continue to consider opportunities in all markets which we believe will enhance the long term shareholder value of the company.

Early 1999 Interbrew has acquired a fourth brewery in Bulgaria which strengthened our market leadership to more than 40%.

Consolidated balance sheet

ASSETS

Millions of		31.12.1998		31.12.1997	
		Bef	Euro	Bef	Euro
CAPITAL ASSETS AND INVESTMENTS		135.237	3.352	109.264	2.709
Intangible assets	Note 3.	1,055	26	819	20
Goodwill	Note 4.	41,887	1,038	40,655	1,008
Property, plant and equipment	Note 5.	68,561	1,700	56,130	1,392
Land and buildings		23,474	583	15,310	380
Plant, machinery and equipment		32,482	805	30,577	758
Furniture and vehicles		4,263	106	3,412	85
Property under capital leases and other similar rights		1,689	42	694	17
Other tangible assets		4,979	123	4,924	122
Assets under construction and advance payments		1,674	41	1,213	30
Investments	Note 6.	23,734	588	11,660	289
Companies accounted for under the equity method		17,036	422	1,563	39
Shares		17,036	422	1,563	39
Other investments carried at cost		6,698	166	10,097	250
Shares		5,727	142	9,862	244
Receivables		971	24	235	6
CURRENT ASSETS AND LONG TERM RECEIVABLES		45,819	1,136	48,030	1,191
Receivables due after one year		2,364	59	2,249	56
Other receivables		2,364	59	2,249	56
Inventory and contracts in progress		6,652	165	6,123	152
Inventory		6,652	165	6,123	152
Raw materials and consumables		3,469	86	3,125	78
Work in progress		851	21	845	21
Finished goods		977	24	933	23
Goods purchased for resale		1,355	34	1,220	30
Receivables within one year		22,491	557	18,021	447
Trade receivables		16,708	414	13,698	340
Other receivables		5,783	143	4,323	107
Term deposits and marketable securities		7,827	194	17,288	428
Interbrew shares		134	3	10	0
Other short term investments and deposits	Note 7.	7,693	191	17,278	428
Cash in bank and on hand		4,685	116	2,581	64
Deferred charges and accrued income		1,800	45	1,768	44
TOTAL ASSETS		181,056	4,488	157,294	3,900

Consolidated balance sheet

LIABILITIES

Millions of	31.12.1998		31.12.1997	
	Bef	Euro	Bef	Euro
CAPITAL AND RESERVES	46,247	1,146	45,351	1,124
Capital	10,022	248	10,008	248
<i>Issued capital</i>	10,022	248	10,008	248
Contributed surplus	1,614	40	1,588	39
Appraisal surplus	531	13	593	15
Retained earnings	Note 8. 34,809	863	29,044	720
Cumulative translation adjustment	Note 8. (749)	(18)	4,095	101
Government grants	20	0	23	1
MINORITY INTEREST	6,184	153	3,858	96
Minority interest	6,184	153	3,858	96
PROVISIONS AND DEFERRED TAXES	Note 9. 17,316	429	16,831	417
Provisions for liabilities and charges	13,809	342	14,331	355
<i>Pensions and similar obligations</i>	5,928	147	6,407	159
<i>Other liabilities and charges</i>	7,881	195	7,924	196
Deferred taxes	3,507	87	2,500	62
CREDITORS	111,309	2,760	91,254	2,263
Long-term obligations	Note 10. 70,194	1,740	55,005	1,364
<i>Financial debt</i>	64,925	1,609	50,022	1,240
<i>Non-subordinated debentures</i>	11	0	10	0
<i>Obligations under capital leases and other similar obligations</i>	463	11	555	14
<i>Credit institutions</i>	64,441	1,598	49,402	1,225
<i>Other loans</i>	10	0	55	1
<i>Other amounts payable</i>	5,269	131	4,983	124
Amounts payable within one year	37,115	921	32,032	794
<i>Current portion of long-term obligations</i>	Note 10. 5,095	126	3,368	83
<i>Financial debt</i>	9,945	247	9,973	247
<i>Credit institutions</i>	9,545	237	9,318	231
<i>Other loans</i>	400	10	655	16
<i>Trade payables</i>	10,149	252	8,484	210
<i>Suppliers</i>	9,594	238	8,289	205
<i>Bills of exchange payable</i>	555	14	195	5
<i>Taxes, payroll and related obligations</i>	9,142	227	7,793	194
<i>Income and other taxes and payroll withholdings</i>	5,482	136	4,056	101
<i>Payroll and social security</i>	3,660	91	3,737	93
<i>Other amounts payable</i>	2,784	69	2,414	60
Accrued charges and deferred income	4,000	99	4,217	105
TOTAL LIABILITIES	181,056	4,488	157,294	3,900

Consolidated Income Statement

Millions of	1998		1997	
	Bef	Euro	Bef	Euro
OPERATING REVENUE	145,204	3,600	133,090	3,299
Sales	Note 11. 140,321	3,479	127,746	3,167
(Decrease) increase in inventory of finished goods, work and contracts in progress	(106)	(3)	378	9
Operating expenses capitalized to capital assets	268	7	307	8
Other operating revenues	4,721	117	4,659	115
OPERATING EXPENSES	(129,759)	(3,217)	(118,777)	(2,944)
Raw materials, consumables and goods for sale	63,033	1,563	56,269	1,395
Purchases	62,930	1,560	56,044	1,389
Decrease in inventory	103	3	225	6
Services and other goods	30,722	762	27,274	676
Payroll and benefits	Note 11. 23,462	582	22,982	570
Depreciation and amortization	9,562	237	9,208	228
Inventory provisions and bad debt expense	252	6	456	11
(Decrease) in provisions for liabilities and expenses	(1,401)	(35)	(1,589)	(39)
Other operating expenses	2,881	71	2,950	73
Amortization of goodwill	1,248	31	1,227	30
OPERATING PROFIT	15,445	383	14,313	355
FINANCIAL INCOME	2,651	66	1,955	48
Investment income	173	4	369	9
Income from term deposits and marketable securities	736	18	728	18
Other financial income	1,742	44	858	21
FINANCIAL EXPENSES	(6,816)	(169)	(5,741)	(142)
Interest and other financing expenses	4,632	115	3,554	88
Amounts written off other current assets	20	0	26	1
Other financial expenses	2,164	54	2,161	53
PROFIT BEFORE EXTRAORDINARY ITEMS AND INCOME TAXES	11,280	280	10,527	261

Consolidated Income Statement

CONTINUED

Millions of	1998		1997	
	Bef	Euro	Bef	Euro
EXTRAORDINARY INCOME	911	23	2,744	68
Adjustments to depreciation and amortization	1	0	2	0
Extraordinary adjustments to provisions for liabilities and expenses	44	1	356	9
Gain on disposal of capital assets and investments	753	19	2,153	53
Other extraordinary income	113	3	233	6
EXTRAORDINARY EXPENSES	(1,760)	(44)	(6,091)	(151)
Extraordinary depreciation and amortization	1	0	15	0
Amounts written off investments	10	0	83	2
Extraordinary provisions for liabilities and expenses	537	13	2,332	58
Loss on disposal of capital assets and investments	63	2	46	1
Other extraordinary expenses	1,149	29	3,615	90
PROFIT FOR THE YEAR BEFORE INCOME TAXES, EQUITY INCOME AND MINORITY INTEREST	10,431	259	7,180	178
INCOME TAXES	(3,780)	(94)	(1,448)	(36)
Current taxes	(2,664)	(66)	(2,302)	(57)
Adjustment of income taxes and write-back of tax provisions	5	0	6	0
Deferred income taxes Note 11.	(1,121)	(28)	848	21
PROFIT AFTER TAXES OF THE CONSOLIDATED COMPANIES	6,651	165	5,732	142
SHARE IN THE RESULTS OF ASSOCIATED COMPANIES	1,221	30	80	2
Profit	1,241	31	97	2
Loss	(20)	(1)	(17)	0
PROFIT BEFORE MINORITY INTEREST	7,872	195	5,812	144
NET PROFIT (SHARE OF THE GROUP)	7,668	190	5,336	132
MINORITY INTEREST	204	5	476	12

Consolidated statement of changes in financial position

Millions of	1998		1997	
	Bef	Euro	Bef	Euro
OPERATING ACTIVITIES				
Net profit	7,668	190	5,336	132
Minority interest	204	5	476	12
Equity income net of dividend received	(912)	(23)	(28)	(1)
Gain on disposal of capital assets and investments	(753)	(19)	(2,153)	(53)
Loss on disposal of capital assets and investments	63	2	46	1
Depreciation	10,810	268	10,448	259
Operating expenses capitalized to capital assets	(268)	(7)	(307)	(8)
Amounts written off Note 12.	1,333	33	3,973	99
Movements on provisions	(907)	(22)	388	10
Movements on deferred assets	1,121	28	(848)	(21)
Amortization of government grants/appraisal surplus	(37)	(1)	(5)	0
CASH GENERATED BY OPERATIONS	18,322	454	17,326	430
CHANGES IN WORKING CAPITAL, TRANSLATION ADJUSTMENTS AND OTHERS	(673)	(16)	(271)	(7)
OPERATIONAL CASH FLOW	17,649	438	17,055	423
INVESTMENT ACTIVITIES				
Acquisition of capital assets	7,604	188	7,048	175
Operating expenses capitalized to capital assets	(268)	(6)	(307)	(8)
Acquisition of investments Note 12.	27,338	678	2,814	70
Advance payments	0	0	902	22
SUB-TOTAL INVESTMENTS	34,674	860	10,457	259
Proceeds on disposal of capital assets	1,381	34	1,364	34
Proceeds on disposal of investments	1,502	37	596	15
Repayment of loans	3,773	94	1,267	31
SUB-TOTAL DISPOSALS	6,656	165	3,227	80
CASH (USED IN) INVESTMENT ACTIVITIES	(28,018)	(695)	(7,230)	(179)
FINANCING ACTIVITIES				
Capital increase subscribed by third parties	40	1	42	1
Capital reduction	(20)	0	0	0
New loans	18,495	458	1,034	26
Repayment of loans	(4,799)	(119)	(7,655)	(190)
Gross dividend to be paid to shareholders	(1,931)	(48)	(1,609)	(40)
Gross dividend paid to minority interests	(368)	(9)	(549)	(14)
CASH GENERATED BY (USED IN) FINANCING ACTIVITIES	11,417	283	(8,737)	(217)
INCREASE IN CASH DEPOSITS AND CASH	1,048	26	1,088	27
Cash deposits and cash at the beginning of the year	2,028	50	940	23
Cash deposits and cash at the end of the year	3,076	76	2,028	50

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements of Interbrew S.A. ("the parent company") and its subsidiary companies ("the Group") are set out below.

(A) Basis of Preparation

The Accounting Policies applied to the consolidated financial statements comply with the requirements of the Belgian Royal Decree of 8 October 1976, and subsequent amendments, incorporating the 4th Directive of the EEC into Belgian Law.

The principles of consolidation and the presentation of the consolidated financial statements comply with the provisions of the Belgian Royal Decree of March 6, 1990, incorporating the 7th Directive of the EEC into Belgian Law.

All Group companies are required to comply with Interbrew's Accounting Principles to ensure consistent and uniform accounting treatment and presentation of individual transactions and components of financial position. These Accounting Principles are based on the International Accounting Standards (IAS), developed by The International Accounting Standards Committee (IASC). Early adoption of IAS 22 (revised 1998) was applied to recognize the persuasive evidence of a useful live of the North-America and Mexican goodwill being longer than twenty years (IAS 22 - revised 1998 § 50). In order to comply with Bulletin nr. 44 of the Belgian Accounting Setting Authority (CBN/CNC), the rule allowing Belgian Companies to bring their presentation and disclosure notes in accordance with IAS, a study is ongoing to request authorisation from the Ministry of Economic Affairs for full adoption of Internationally Accepted Accounting Standards.

In the consolidated financial statements, the parent company's financial position is stated net after accounting for proposed dividends, whereas the financial positions of consolidated subsidiaries are stated before such appropriations.

The consolidated financial statements are prepared as at December 31, which is the year-end of the parent company and virtually all consolidated subsidiaries.

As Interbrew S.A. is essentially a holding company, its equity investments are stated at acquisition cost in its non-consolidated financial statements. Accordingly, these non-consolidated statements present only a limited view of the Company's financial position. For this reason, the Board of Directors deemed it advisable to publish in full only the consolidated financial statements of the Company, as these statements give a true and fair view of the financial position and performance of the Company, and only abridged non-consolidated financial statements of Interbrew S.A.

The non-consolidated financial statements of Interbrew S.A. will be filed with the National Bank of Belgium in accordance with regulatory requirements.

(B) Principles of Consolidation

Subsidiaries, in which the parent company holds directly or indirectly 50% or more of the equity and those in which its holding of less than 50% of the equity, nevertheless represents a controlling interest are fully consolidated.

All intercompany balances and transactions have been eliminated.

Companies over which one or more consolidated companies exercise a significant influence are accounted for using the equity method. As a general rule, significant influence is deemed to exist when the Company holds between 20% and 50% of a company.

Companies in which the Company holds less than 20% of the equity are accounted for using the cost method and are recorded under the caption "Investments".

A listing of the Group's significant subsidiaries and associated companies is set out in note 2.

(C) Scope of Consolidation

The following major companies have been fully consolidated for the first time as from the year ended December 31, 1998:

- Oriental Brewery (South Korea);
- Trebjesa (Montenegro);
- Jinling and Nanjing Brewery (China).

During 1998, the Group acquired 73% of the equity of Rosar (a brewery located in Omsk-Russia).

This investment has been excluded from the scope of consolidation as at December 31, 1998, in accordance with art. 13.3° of the Royal Decree of March 6, 1990, as the information necessary to include the subsidiary in the consolidated financial statements could not be obtained without undue delay. Accordingly, this investment is carried at cost.

(D) Foreign Currencies

Transactions in currencies other than the local currency are converted at the rate of exchange prevailing at the transaction date. At the balance sheet date, foreign currency monetary assets and liabilities are converted at the rate of exchange prevailing at that date. Resulting exchange differences are recognized in the Income Statement for the year.

The operations of foreign subsidiaries of the Company are not considered to be an integral part of the parent company's operations. Accordingly, assets and liabilities of foreign subsidiaries are translated into Belgian francs, using the exchange rate in effect at the balance sheet date. Shareholders' equity is translated at the historic exchange rate and income and expenses at rates approximating the exchange rate at the date of the transaction.

The Company's share of adjustments resulting from this use of differing exchange rates is deferred within consolidated Shareholders' equity through the "Cumulative translation adjustment". That part of the translation adjustment related to minority interests is recorded within "Minority interests".

Financial statements of subsidiaries in highly inflationary economies are in principle translated in line with IAS29 by using an index related method. Under IAS the financial statements are restated using appropriate indices to current values at the balance sheet date before translation into the Group's reporting currency at the year end exchange rate ruling on December 31.

However, in Central and Eastern European countries paragraph 17 of IAS29 is applied by remeasuring local currencies into the Belgian franc as if the Belgian franc were the reporting currency.

The following exchange rates have been used in preparing the financial statements:

Currency		Closing Rate		Average Rate	
		31.12.1998	31.12.1997	1998	1997
Canadian Dollar	CAS	22.335	25.760	24.690	25.625
US Dollar	US\$	34.575	36.920	36.497	35.439
Dutch Guilder	NLG	18.306	18.303	18.300	18.335
French Franc	FRF	6.150	6.166	6.154	6.128
Hungarian Forint	HUF	0.158	0.182	0.170	0.192
Croatian Kuna	HRK	5.514	5.868	5.716	5.798
Rumanian Lei (100)	ROL	0.316	0.459	0.420	0.519
Bulgarian Lev	BGL	0.021	0.021	0.021	0.026
Ukranian Hryvna	UAH	10.069	19.470	16.174	19.073
Pound Sterling	GBP	57.183	61.143	60.571	58.221
Mexican Peso	MXP	3.485	4.584	4.048	4.447
Chinese Yuan	CNY	4.176	4.465	4.409	4.273
Dominican Peso	DOP	2.189	2.453	2.401	2.473
Euro	EUR	40.340	40.340	40.340	/
Korean Won (100)	WON	2.877	2.849	2.646	/
Russian Ruble	RUR	1.604	6.010	3.610	/
Yugoslavian Dinar	YUM	3.438	6.251	4.381	/

(E) Intangible Assets

All intangible assets are written off over a maximum period of 5 years.

(F) Goodwill

When a company is consolidated for the first time, any difference between the cost of acquisition and the Company's share of the net shareholder's equity of the acquired company at the date of acquisition is allocated, to the extent possible, to the fair values of the assets and liabilities of the acquired company.

Any excess amount which remains following the fair value allocation is recognized in the consolidated balance sheet as "goodwill".

Any "negative goodwill" which remains following the fair value allocation is deducted from the fair values of the assets.

Goodwill is amortized using the straight-line method, over a period of time during which the related benefits are expected to arise. Such periods do not exceed 40 years.

Goodwill can be denominated in foreign currency and therefore can fluctuate from year to year in line with exchange rate movements.

The unamortized balance of goodwill is reviewed at least annually. Where the balance exceeds the value of expected future benefits, the difference is charged to Income.

(G) Property, Plant and Equipment

These assets are stated at the lower of historical cost, less accumulated depreciation, and recoverable amount. Historical cost includes the purchase price and other direct costs (taxes, transport, ...).

Assets are depreciated as from the date of acquisition using the straight-line method over the estimated economic lifetimes of the assets. Freehold land is not depreciated.

The rates used are as follows:

Industrial buildings	20 years
Production plant and equipment:	
- Production equipment	10 or 15 years
- Storage and packaging equipment	6 or 8 years
- Handling and other equipment	5 years
- Duotanks	6 years
Identified reusable packaging:	
- Kegs	10 years
- Bottles	5 years
- Crates	5 or 10 years
Point of sale furniture and equipment	5 years
Vehicles	5 years
Information processing equipment	3 or 5 years
Other real estate properties	33 years

Whenever events or changes in business circumstances indicate the carrying amounts of property, plant and equipment are not fully recoverable, they are reviewed to determine whether they are in excess of their recoverable amount at the balance sheet date. If the carrying amount exceeds the recoverable amount, the asset is written down to the lower amount.

Expenditure on maintenance or repairs, made to restore or maintain the future economic benefits expected from the assets, is recognized as an expense when incurred.

(H) Accounting for Leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

(I) Investments

Investments comprise non-consolidated associated companies and companies in which the Company holds less than 20% of the equity.

Receivables classified as other investments represent receivables from non-consolidated investments and are written off when there is doubt as to their recoverability.

(J) Inventories

Inventories are valued at the lower of weighted average cost and net realizable value. Advance payments and prepayments in respect of inventories are stated at face value.

Weighted average cost includes:

- for work in progress: raw materials and other production materials incorporated into finished products, plus wages and energy related directly to the production process;
- for finished products: the cost of work in progress as defined above plus the cost of materials, wages and energy related directly to the packaging process.

Overheads are not included as a component of cost. Write-offs are recorded in respect of obsolete stocks.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(K) Investments and Deposits

This heading includes term deposits with credit institutions, marketable securities and investment assets held for sale. They are valued at the lower of acquisition cost or market value. Listed securities are valued at quoted market prices, unlisted securities at estimated value (approaching "mark to market") and investment assets held for sale are valued at estimated realizable value. Investments taken up as a hedge instrument are carried at acquisition cost.

(L) Provisions for Pensions and Similar Obligations

A number of subsidiaries within the Company have established early retirement and other post employment benefit schemes. Provisions for these plans are calculated by reference to the projected benefit obligations, as determined by qualified actuaries on an annual basis.

These plans are funded by contributions from the companies and employees.

(M) Taxation

Tax expense is calculated on net profit, adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, arising from items being brought to account in different periods for income tax and accounting purposes, are carried in the balance sheet as deferred tax assets or liabilities. Such deferred tax balances are calculated using the liability method taking into account the estimated tax that will be paid or recovered when the timing differences reverse.

Deferred tax assets are only recorded if there is a reasonable expectation of realization. Deferred tax assets arising from tax losses yet to be recovered are only carried forward if there is assurance beyond any reasonable doubt that future taxable income will be sufficient to allow the benefit of the tax losses to be realized.

(N) Revenue Recognition

In relation to the sale of goods, revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding the consideration, associated costs or the possible return of goods.

Interest, royalties and dividends arising from the use by others of the Company's resources are recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably. Interest income is recognized as it accrues (taking into account the effective yield on the asset) unless collectability is in doubt. Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreement. Dividend income is recognized when the shareholder's right to receive payment is established.

(O) Research and Development, Advertising and Promotional Costs and Systems Development Costs

Research and Development, advertising and promotional costs and systems development costs are expensed in the year in which these costs are incurred.

(P) Derivative Financial Instruments

The Company uses derivative financial instruments primarily to reduce the Company's exposure to adverse fluctuations in interest rates, foreign exchange rates, commodity prices and other market risks. The Company's policy prohibits the use of derivatives for speculation.

The Company neither holds nor issues financial instruments for trading purposes.

Gains and losses resulting from the use of derivative instruments are deferred and recorded in the Income Statement at the appropriate time.

2. LIST OF COMPANIES

Listed below are the most important Group companies.

A complete list of the Group's investments is available at Interbrew S.A., Vaartstraat 94, B-3000 LEUVEN (BELGIUM). The total number of companies (fully consolidated and accounted for under the equity method) is 126.

(A) List of fully consolidated companies

<i>Name</i>	<i>Registered Office</i>	<i>V.A.T. Num. or N.N.</i>	<i>% of shareholding</i>
BELGIUM			
INTERBREW S.A. Grand'Place 1	Brussels	BE 417.497.106	Consolidating company
BRASSERIE DE L'ABBAYE DE LEFFE S.A. Place de l'Abbaye 1	Dinant	BE 402.531.885	98.54 %
BRASSERIE BELLE VUE S.A. Chaussée de Mons 144	Brussels	BE 402.110.431	100 %
BROUWERIJ VAN HOEGAARDEN N.V. Stoopkensstraat 46	Hoegaarden	BE 421.085.413	100 %
COBREW N.V. Vaartstraat 98	Leuven	BE 428.975.372	100 %
CREPARTI N.V. Industrielaan 21	Brussels	BE 403.557.810	100 %
DE WOLF-COSYNS MALTINGS N.V. Gentsestraat 80	Aalst	BE 400.291.482	100 %
IMMOBREW N.V. Industrielaan 21	Brussels	BE 405.819.096	99.88 %
INTERBREW BELGIUM N.V. Industrielaan 21	Brussels	BE 433.666.709	99.98 %
FRANCE			
INTERBREW FRANCE S.A. Avenue Pierre Brossolette 14	Armentières	-	100 %
AUXINDAL S.A. Avenue Pierre Brossolette 14	Armentières	-	100 %
THE NETHERLANDS			
INTERBREW NEDERLAND N.V. Brouwerijplein 84	Valkenswaard	-	100 %
INTERBREW INTERNATIONAL B.V. Ceresstraat 19	Breda	-	100 %
CROATIA			
ZAGREBACKA PIVOVARA D.D. Ilica 224	Zagreb	-	71 %
ROMANIA			
PROBERCO S.A. Str. Fabricii 7	Baia Mare	-	51 %
BIANCA INTERBREW BERGENBIER S.A. Str. Gh. Baritiu 30 b	Blaj	-	51 %
N.D.C. S.A. Av. M. Zorileanu Street 18 - District 1	Bucarest	-	56 %
HUNGARY			
BORSODI SÖRGYAR Rt. Rackoczi UT 81	Böcs	-	94 %
CANADA			
LABATT BREWING COMPANY LTD 181 Bay Street Ste. 200	Toronto-Ontario	-	100 %

<i>Name</i>	<i>Registered Office</i>	<i>V.A.T. Num. or N.N.</i>	<i>% of shareholding</i>
U.S.A.			
LABATT'S U.S.A. INC. 101 Merritt 7	Norwalk	-	70 %
LATROBE BREWING COMPANY 101 Merritt 7	Norwalk	-	70 %
BULGARIA			
KAMENITZA LTD. Karp. Raitcho Str. 95	Plovdiv	-	70 %
BURGASKO K-S Slavelkov 70	Bourgas	-	74 %
ASTIKA Severna Industrialna Zona	Haskovo	-	82 %
UKRAINE			
CHERNIGIV BREWERY DESNA Instrument Alnaya 20	Chernigiv	-	51 %
REPUBLICA DOMINICANA			
CERVECERIA DOMINICO CANADIENSE Calle J, Esquina K Zona Industrial de Herrera	Santo Domingo	-	50 %
SOUTH KOREA			
ORIENTAL BREWERY CO., LTD Doosan Tower 16th Floor Ulchi-Ro 6-K ChungKu	Seoul	-	50 %
CHINA			
NANJING JINLING BRWERY CO., LTD 20 Qi Li Street	Nanjing	-	60 %
NANJING INTERBREW BREWERY CO., LTD Qi Li Bridge Jiang Pu	Nanjing	-	80 %
MONTENEGRO			
TREBJESA BREWERY 29 Novembra 18	Niksic	-	68 %

(B) List Of Companies Consolidated Under the Equity Method

<i>Name</i>	<i>Registered Office</i>	<i>V.A.T. Num. or N.N.</i>	<i>% of shareholding</i>
BELGIUM			
SPADEL S.A. Kolonel Bourgstraat 103	Brussels	BE 405.844.436	34.83 %
GRAND DUCHY OF LUXEMBOURG			
BRASSERIE DE DIEKIRCH S.A. Rue de la Brasserie 1	Diekirch	-	45.34 %
MEXICO			
FEMSA CERVEZA Ave. Alfonso reyes 2202	Monterrey	-	30 %

(C) List Of Non-Consolidated Companies

Name	Registered Office	Proportion of the capital held by the companies included in the consolidation and by partners acting on behalf of those companies	Reason for exclusion (1)
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RUSSIA

ROSAR			
Vesta 2-ja Solnechnaja Street 27A	Omsk	73 %	c.

(1) Reason for exclusion: art. 13 of the Royal Decree of March 6, 1990.

c. The information necessary to include these subsidiaries in the consolidated accounts can not be obtained without undue delay.

3. STATEMENT OF INTANGIBLE ASSETS

millions of Bef

	Research & development	Concessions, patents, licences, etc	Goodwill	Down payments	TOTAL
ACQUISITION COST					
As at the end of the previous year	10	2,763	47	0	2,820
Movements during the year :					
• Companies entering the consolidated Group	0	274	0	0	274
• Additions	0	403	71	1	475
• Sales and disposals	0	(93)	(4)	0	(97)
• Transfers between asset categories	0	(1)	0	0	(1)
• Translation adjustments	0	(40)	0	0	(40)
• Others	0	142	0	0	142
As at the end of the year	10	3,448	114	1	3,573
DEPRECIATION AND AMOUNTS WRITTEN OFF					
As at the end of the previous year	10	1,950	41	0	2,001
Movements during the year :					
• Companies entering the consolidated Group	0	56	0	0	56
• Charge for the year	0	414	13	0	427
• Disposals	0	(73)	(4)	0	(77)
• Transfers between asset categories	0	(17)	0	0	(17)
• Translation adjustments	0	(14)	0	0	(14)
• Others	0	142	0	0	142
As at the end of the year	10	2,458	50	0	2,518
THE NET BOOK VALUE					
AT THE BEGINNING OF THE YEAR	0	813	6	0	819
AT THE END OF THE YEAR	0	990	64	1	1,055

Intangible assets include mainly software and supply rights. The increase of 236 million Bef compared to 1997 is explained by the changes in the consolidated Group, mainly as a result of the acquisition of the Chinese breweries and French distribution companies. Also investments in supply rights, mainly in Belgium and France contributed to the increase in the bookvalue.

4. GOODWILL

millions of Bef

	Consolidated companies	Equity accounted	TOTAL
Net book value at the end of the previous year	40,646	9	40,655
Movements during the year :			
• Acquisitions	7,707	0	7,707
• Amortizations	(1,242)	(6)	(1,248)
• Translation adjustments	(5,227)	0	(5,227)
Net book value at the end of the year	41,884	3	41,887

The goodwill represents the excess purchase costs over the fair values of the acquired companies' net assets.

The goodwill increased as a result of the acquisition of Oriental Brewery and the Chinese breweries, all for the first time consolidated in 1998.

A substantial part of this increase was reduced by a negative translation adjustment because of the depreciation of the Canadian dollar versus the Belgian franc in 1998.

The net increase, after the 1998 amortization charge, is 1,232 million Bef.

Still, the principle part of the goodwill is linked to the acquisition of Labatt, which is amortized over 40 years.

The unamortized balances of the goodwill of the different companies were reviewed at December 31, 1998 in order to determine that the values had not been impaired.

As the values of the expected future benefits of the investments in the different entities are higher than the bookvalue of the goodwill, no adjustment has been recorded to the balance at December 31, 1998.

5. STATEMENT OF PROPERTY, PLANT AND EQUIPMENT

millions of Bsf

	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Property under capital leases and other similar rights	Other tangible assets	Assets under construction and advance payments	Total
ACQUISITION COST							
As at the end of the previous year	27,230	82,072	16,170	1,101	8,838	1,218	136,629
Movements during the year :							
• Companies entering the consolidated Group	10,002	5,968	871	1,453	2	263	18,559
• Acquisitions, including property, plant, equipment and own construction	376	2,779	1,440	16	439	2,100	7,150
• Sales and disposals	(796)	(1,349)	(812)	(33)	(414)	(57)	(3,461)
• Transfers between asset categories	433	2,267	(61)	(382)	153	(1,803)	607
• Translation adjustments	(909)	(4,366)	(262)	(8)	0	(39)	(5,584)
• Others	0	110	70	(205)	0	(3)	(28)
As at the end of the year	36,336	87,481	17,416	1,942	9,018	1,679	153,872
REVALUATIONS							
As at the end of the previous year	2,044	559	2	0	1,174	0	3,779
Movements during the year							
• Reversals	(81)	0	0	0	(34)	0	(115)
• Transfers between asset categories	0	0	0	0	(20)	0	(20)
As at the end of the year	1,963	559	2	0	1,120	0	3,644
DEPRECIATION AND AMOUNTS WRITTEN OFF							
As at the end of the previous year	13,964	52,054	12,760	407	5,088	5	84,278
Movements during the year :							
• Companies entering the consolidated Group	738	546	45	0	1	0	1,330
• Charge for the year	1,130	6,210	1,448	91	273	0	9,152
• Written back	0	(19)	0	0	(1)	0	(20)
• Disposals	(645)	(1,349)	(770)	(8)	(212)	0	(2,984)
• Transfers between asset categories	38	810	(220)	(37)	10	0	601
• Translation adjustments	(400)	(2,804)	(179)	5	0	0	(3,378)
• Others	0	110	71	(205)	0	0	(24)
As at the end of the year	14,825	55,558	13,155	253	5,159	5	88,955
NET BOOK VALUE							
AT THE BEGINNING OF THE YEAR	15,310	30,577	3,412	694	4,924	1,213	56,130
AT THE END OF THE YEAR	23,474	32,482	4,263	1,689	4,979	1,674	68,561

The book value of "Property, plant and equipment" increased by approximately 12,400 million Bef.

This strong increase was the result of:

- changes in the consolidated Group for 17,229 million Bef, mainly Oriental Brewery;
- sales and disposals, reducing the bookvalue by 477 million Bef;
- currency movements in 1998, mainly the depreciation of the Canadian dollar, with a negative impact on the bookvalue of 2,206 million Bef;
- a tight control exercised over capital expenditures during 1998 resulting in an acquisition value substantially below the annual depreciation charge: 1,982 million Bef.

6. STATEMENT OF INVESTMENTS

millions of Bef

	<i>Companies accounted for under the equity method</i>	<i>Other investmentst carried at cost</i>	<i>TOTAL</i>
SHARES			
ACQUISITION COST			
As at the end of the previous year, namely :	1,563	9,862	11,425
• Shares	2,282		
• Equity accounted investments at December 31, 1996	(719)		
Movements during the year :			
• Acquisitions	8,260	2,344	10,604
• Disposal	0	(3)	(3)
• Equity income for the year	1,218	0	1,218
• Dividends on equity accounted investments	(306)	0	(306)
• Change from the cost method or equity accounting to consolidation (or vice versa)	8,860	(787)	8,073
• Transfers	0	(4,997)	(4,997)
• Recorded write-offs	0	(10)	(10)
• Revaluation	0	32	32
• Translation adjustments	(2,561)	(714)	(3,275)
• Others	2	0	2
Net book value at the end of the year	17,036	5,727	22,763
RECEIVABLES			
Net book value at the end of the previous year	0	235	235
Movements during the year :			
• Companies entering the consolidation scope	0	791	791
• Additions	0	22	22
• Reimbursements	0	(80)	(80)
• Transfers between asset categories	0	2	2
• Others	0	1	1
Net book value at the end of the year	0	971	971

As from January 1998, the Group's investments in Femsa (Cerveza and Logistica) is accounted for using the equity method.

The Board of Directors of Interbrew decided to increase its minority interest from 22% to 30% which was realized in May 1998. It also shows the Groups long term commitment to the country.

The bookvalue of Femsa includes the goodwill paid for the 8% share purchase, adjusted for the translation adjustment as a result of the weakening of the Mexican pesos versus the Belgian franc.

This years' equity pick-up for Femsa is at the level of the equity pick-up of last year if the equity method would have been applied in 1997.

The goodwill paid for the share purchase of Femsa is amortized over 40 years and the annual charge is recorded in the Income Statement on

the line "Share in the results of associated companies".

The investment in Epsim/Mico was transferred to other short term investments at the end of 1997 in anticipation of the disposal of this investment at the beginning of 1998.

Since this disposal did not crystallize in 1998 and most likely will not in 1999, the Epsim/Mico investment was transferred to other investments carried at costs.

7. OTHER SHORT TERM INVESTMENTS AND DEPOSITS

Short term investments have been reclassified to long term investments since their planned disposal is no longer foreseen within the next year.

This transfer accounts for a decrease in short term investments of 3.5 billion Bef.

The carrying value of other short term investments is based on management's best estimate of anticipated proceeds at the date of disposal and the cash costs to be incurred until the date of disposal.

Should negotiations result in lower proceeds being realized, material adjustments to the carrying values could prove to be necessary. Such adjustments, if any, will be recognized in the financial statements during the period in which they are identified by the Group.

Other investments were sold early in 1998 for 1.1 billion Bef. The remaining difference is explained by the decrease in deposits.

8. CAPITAL AND RESERVES

(A) Statement of retained earnings

millions of Bef

As at the end of the previous year	29,044
Movements during the year:	
• Net profit	7,668
• Dividend	(1,931)
• Transfer from appraisal surplus	28
As at the end of the year	34,809

(B) Cumulative translation adjustment

The translation adjustment decreased by 4,844 million Bef during 1998, principally due to the depreciation of the Canadian dollar and the Mexican peso against the Belgian franc.

9. PROVISIONS AND DEFERRED TAXES

Provisions and deferred taxes increased by 485 million Bef which is mainly explained by the increase in deferred taxes.

10. STATEMENTS OF AMOUNTS PAYABLE

(A) Analysis of long-term obligations by maturity dates

millions of Bef

	Payable within one year	Payable between one and five years	Payable after five years
Financial debt	5,038	41,251	23,674
• Non-subordinated debentures	0	0	11
• Capital leases and other similar obligations	1,998	463	0
• Credit institutions	2,707	40,778	23,663
• Other loans	333	10	0
Other amounts payable	57	5,226	43
TOTAL	5,095	46,477	23,717

At December 31, 1998 the Group entered into interest rate swap agreements which have either:

- effectively converted floating rate debt to fixed rate debt;
- had the effect of fixing minimum and maximum interest rates on the floating rate debt; or
- had the effect of capping interest rates on floating rate debt.

These agreements limit the interest rate risk on approximately 35% of the Group's debts until 2004 and limit the interest rate risk on lower percentages of the Group's debt after 2004.

(B) Guaranteed Debts

millions of Bef

	Real guarantees given or irrevocably promised on the Group's assets
Taxes, remuneration, social security	374
Income and other taxes and payroll withholdings	374
TOTAL	374

11. CONSOLIDATED INCOME STATEMENT

The operating profit grew 8% versus 1997. While last year's appreciation of the Canadian dollar against the Belgian franc had an important effect on the operating profit growth, this year's depreciation reduced the growth by 2%.

Next to this negative impact on the Group's operating profit growth line were two other effects which influenced the growth in a negative way:

- changes in the consolidated group did not yet have a positive impact on the Group's operating profit;
- the deal making costs of the acquisition of Oriental Brewery were charged to the Income statement in the reported year.

These two effects together account also for a 2% growth reduction.

Cost management programs resulted in substantial savings which were used to increase investments behind the Group's brands.

The operating margin remained at last year's level of 13.5 % (versus 13.4%).

The Group entered into two forward contracts to convert US\$ debt agreements to Euro agreements from which important exchange rate gains were recognized as a result of the depreciation of the American dollar versus the Belgian franc.

The income taxes increased mainly as a result of the increased tax basis of the Group.

(A) Sales

The Group's sales were effected by companies situated in the following areas :

millions of Bef

	1998	1997
Belgium		
Beverages	27,612	28,605
Others	1,252	1,808
Other countries		
Beverages	109,688	95,835
Others	1,769	1,498
TOTAL	140,321	127,746

(B) Employment costs

The average number of personnel has increased by almost 21% to 16,727, principally due to the change in the consolidated Group. Last year's scope shows a decrease. The comparability of the actual costs has been impacted by the changes in the consolidated Group as well as by the depreciation of the Canadian dollar.

	1998	1997
Average number of personnel (units)	16,727	13,835
Total employment costs (millions of Bef)	23,462	22,982
Personnel costs	22,285	21,441
Pensions	1,177	1,541

(C) Income taxes

millions of Bef

	1998	1997
The difference between tax charged in the consolidated income statement for the period and previous periods and the amount of tax paid or payable in respect of those periods.	(1,121)	848

12. CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

The increase in "aquisition of investments" is mainly explained by the acquisition of Oriental Brewery, Femsa and Rosar.

These acquisitions were partly financed through debt.

The decrease of 2,640 million Bef in amouts written off is explained by a smaller adjustment to the carrying value of assets the Group intends to dispose of, as compared with last year's adjustment.

13. COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

millions of Bef

31.12.1998

Personal guarantees given or irrevocably promised by companies included in the scope of the consolidation for security for debts or commitments from third parties.	6,086
Real guarantees on own assets given or irrevocably promised by companies included in the scope of consolidation as a security, respectively, for debts and commitments.	75
Real guarantees on own assets given or irrevocably promised by companies included in the consolidation scope as a security, respectively, for debts and commitments for the account of third parties.	1,602
Commitments to acquire fixed assets	739
Commitments resulting from operations relating to :	
• Exchange rates	17,385
• Prices of raw materials or goods purchased for resale	17,787
• Others	1,857

14. IMPORTANT EVENTS SUBSEQUENT TO DECEMBER 31, 1998

No subsequent events which have an important influence on the financial situation and/or the profitability of the Group have occurred following the end of the financial year.

15. ABRIDGED FINANCIAL STATEMENTS OF INTERBREW S.A.

Only the consolidated annual financial statements as set forth in the preceding pages present a true and fair view of the financial position and performance of the Interbrew Group.

Since Interbrew S.A. is essentially a holding company, which records its investments at acquisition cost in its non-consolidated annual financial statements, those statements present no more than a limited view of the Group's financial position. For this reason, the Board of Directors, acting in accordance with article 80Bis of the Coordinated Companies Acts, deemed it advisable to publish only an abridged version of the annual financial statements, as at and for the year ended December 31, 1998, namely:

- the Balance Sheet;
- the Income Statement;
- the Annual report of the Board of Directors to the General Assembly of Shareholders on April 27, 1999.

These documents are extracts of the annual financial statements of Interbrew S.A. which will be filed with the National Bank of Belgium within the statutory periods.

This abridged version is accompanied by the complete text of the management report.

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Interbrew S.A. for the financial year ended December 31, 1998, showing a balance sheet total of 70,981,749,738 Bef and a profit of 12,804,900,471 Bef for the 1998 financial year, give a true and fair view of the financial position and results of the company in accordance with all applicable legal and regulatory provisions.

Non Consolidated Balance Sheet

ASSETS

	31.12.1998 thousands of Bef	31.12.1997 thousands of Bef
CAPITAL ASSETS AND INVESTMENTS	61,483,379	50,456,726
Intangible assets	0	371
Property, plant & equipment	108,988	127,839
Investments	61,374,391	50,328,516
CURRENT ASSETS	9,498,371	642,370
TOTAL ASSETS	70,981,750	51,099,096

LIABILITIES

CAPITAL AND RESERVES	54,822,533	43,911,419
Capital	10,021,658	10,008,207
Contributed surplus	1,614,175	1,588,028
Legal reserve	1,002,166	1,000,821
Reserves not available for distribution	3,252	3,252
Tax-exempt reserves	172,255	172,255
Reserves available for distribution	10,506,572	10,506,572
Profit carried forward	31,502,455	20,632,284
PROVISIONS FOR LIABILITIES AND DEFERRED TAXES	76,627	81,736
CREDITORS	16,082,590	7,105,941
Long term obligations	13,196,288	9,847
Amounts payable within one year, accrued charges and deferred income	2,886,302	7,096,094
TOTAL LIABILITIES	70,981,750	51,099,096

Non Consolidated Income Statement

	1998 thousands of Bef	1997 thousands of Bef
OPERATING REVENUES	1,884,019	1,935,719
OPERATING RESULTS	(365,188)	(96,872)
FINANCIAL RESULTS	10,533,355	3,258,192
EXTRAORDINARY RESULTS	2,640,426	6,226,467
INCOME TAXES	(3,693)	(3,156)
PROFIT AFTER TAXES	12,804,900	9,384,631
NET PROFIT FOR THE YEAR AVAILABLE FOR APPROPRIATION	12,804,900	9,384,631

Annual report of the Board of Directors to the General Meeting of Shareholders on April 27, 1999

In accordance with the provisions in Article 77 of the Company Law, we hereby submit our annual report for the financial period ended on December 31, 1998.

We wish to remind you that Interbrew S.A.'s activities are limited to ensuring the management and control of the Group's companies.

COMMENTS ON THE BALANCE SHEET

Intangible assets

No investments were made during the current financial year. The depreciation charge for the year has resulted in a lower book value.

Property, plant and equipment

The decrease in "Other tangible assets" results from the disposal of real estate properties and the annual depreciation charge.

Investments

Various share and other transactions resulted in an increase in the value of investments:

- A capital increase in N.V. Cobrew;
- The internal transfer of ownership of shares in the Eastern European Countries to Interbrew International B.V. against additional shares of Interbrew International B.V.;
- The capital reduction in Cavenor.

Other receivables due after one year

"Other receivables" have increased by approximately 5.5 billion Bef as a result of a loan issued to Interbrew Belgium S.A.

Receivables within one year

"Other receivables" have increased by approximately 3.5 billion Bef as a result of the dividends received (on current account Group company).

Capital and reserves

Capital and reserves have mainly increased by the amount of the net profit of the year net of the proposed dividend.

During 1998 a capital increase of 40 million Bef was realized, resulting in an increase of issued capital. The number of shares increased by 1,103 from 804,474 shares to 805,577 shares.

Long term obligations

The increase in financial debt is related to the financing of the acquisition of the Korean brewery.

Other amounts payable

The other amounts payable have decreased by 1.1 billion Bef because of the dividends received through the current account of a Group company.

COMMENTS ON THE INCOME STATEMENT

The reason for the significant increase in "Investment Income", 7.3 billion Bef, is the strong increase in dividends received.

The "gain on disposal of fixed assets" is explained primarily by the gain realized on the share transactions related to the Eastern European entities between Interbrew S.A. and Interbrew International B.V.

The "loss on sale of fixed assets" is explained equally and the capital reduction in Cavenor.

The 1998 financial year shows a profit net after tax of 12,804,900,471 Bef, compared to 9,384,630,902 Bef for 1997.

APPROPRIATION ACCOUNT

The profit to be appropriated comprises the following:

in thousands of Bef

Current net profit	12,804,900
Net profit brought forward	<u>20,632,284</u>
Net profit to be appropriated	<u>33,437,184</u>

We propose to increase the gross dividend to 2,400 Bef gross per share.

Based on this dividend payment, the appropriation of the net profit is as follows:

in thousands of Bef

Gross dividend	1,933,384
Transfer to legal reserve	1,345
Net profit to be carried forward	<u>31,502,455</u>

If you approve this appropriation, the net dividend of 1,800 Bef per share will be payable as of April 28, 1999 against delivery of coupon nr. 43.

IMPORTANT EVENTS AFTER YEAR END

No subsequent events which have an important influence on the financial situation and/or the profitability of the company have occurred following the end of the financial year.

DISCHARGE OF THE BOARD OF DIRECTORS AND THE STATUTORY AUDITOR

We recommend approval of the annual accounts as presented and, by special vote, the discharge of the Board of Directors and the Statutory Auditor in respect of the performance of their mandate during the past financial year.

Brussels, March 30, 1999

Statutory Auditor's Report on the Statutory Consolidated Accounts Submitted to the General Shareholders' Meeting

CONSOLIDATED ACCOUNTS AS OF DECEMBER 31, 1998

In accordance with legal and regulatory requirements, we are reporting to you on the completion of the mandate which you have entrusted to us.

We have audited the consolidated financial statements for the year ended December 31, 1998 with a balance sheet total of 181,056,297,571 Bef and a profit for the year of 7,872,522,799 Bef. These consolidated financial statements have been prepared under the responsibility of the Board of Directors of the Company. The financial statements of the American part of the group were audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors. In addition we have reviewed the directors' report.

UNQUALIFIED AUDIT OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

Our audit was performed in accordance with the standards of the Institut des Reviseurs d'Entreprises-Instituut der Bedrijfsrevisoren. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, taking into account the Belgian legal and regulatory requirements relating to the consolidated financial statements.

In accordance with these standards we have taken into account the administrative and accounting organization of your group as well as the system of internal control. The group's management have provided us with all explanations and information which we required for our audit. We have examined on a test basis, the evidence supporting the amounts included in the consolidated financial statements. We have assessed the accounting policies used, the significant accounting estimates made by the Company and the overall presentation of the consolidated financial statements. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements of the société anonyme - S.A. Interbrew N.V.- naamloze vennootschap as at and for the year ended December 31, 1998 present fairly the financial position of the Company and the results of its operations, in conformity with the prevailing legal and regulatory requirements, and the disclosures made in the notes to the accounts are adequate.

The company has examined the Year 2000 issue and has implemented an action plan. At the date of this report the company is facing uncertainties inherent to this issue, as described in the annual report to the shareholders.

ADDITIONAL ASSERTION

As required by generally accepted auditing standards the following additional assertion has been provided. This assertion does not alter our audit opinion on the consolidated financial statements:

- The consolidated directors' report contains the information required by law and is in accordance with the consolidated financial statements.

Brussels, March 31, 1999.

Klynveld Peat Marwick Goerdeler
Bedrijfsrevisoren/Réviseur d'Entreprises,
Statutory Auditor



represented by
Erik Helsen
Statutory Auditor

Responsible editor :

Axel Cogels
Corporate Affairs

Designed by : ZOO COMMUNICATION

Original version in English written by Beryl McAlhone

Ce rapport est aussi disponible en français à l'adresse ci-dessous:

Dit rapport is ook verkrijgbaar in het Nederlands op onderstaand adres:

Interbrew N.V./S.A.

Vaartstraat 94

B-3000 Leuven

Belgium

Phone: +32-16-24 71 11

Fax: +32-16-24 74 07

Internet Site: www.interbrew.com

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