Size wise

The what

After we decided to focus on only beer, the World's Local Brewer© strategy transformed Interbrew. It took just a decade to turn us from a small regional player into one of the leading brewers in the world. The key ingredients in that strategy are now familiar. To summarise, they are: a core platform in each country of important local brands; a strong portfolio of international premium and speciality brands; a balance between mature and emerging markets; the ability to consolidate to strengthen market position; and finally (or maybe, firstly) the excellent people who make possible superior execution in implementing our vision and operating the business.

Those five points tell us what the World's Local Brewer© is. But "what" is usually less interesting than "why". Why does this particular pattern of business give us more certainty of creating value?

The why

We can sum up the advantage Interbrew has in a phrase. Essentially our business is "size wise". In other words, it has the footprint, the characteristics, the positioning it needs to cope with the tough demands of modern competition. We can claim to be size wise for four reasons, which have to do with brands, growth, scale and knowledge.

We must start with brands, because these are the *sine qua non* of success in our industry. Local core brands are the heart of a beer business, because they provide the volume base on which economic distribution and efficiencies in the supply chain can be built. Interbrew offers more, however, than just core brands. Our cherry on the cake is the portfolio of premium lagers and speciality beers. With channel costs already paid, these return a higher profit. It is this marriage between volume quantity and volume quality that makes us size wise.

Size wise

"Being the World's Local Brewer© gives us the business options we need. That is what makes us size wise"

The growth reason comes second, because growth is the yardstick against which all companies are judged. No brewer can have it all ways. We can get stability and large volumes in mature markets, but these volumes are at best stable. We can get strong growth prospects in emerging markets, but these are volatile. To square this circle brewers must optimise their geography. Industry analysts report that Interbrew currently has an advantageous risk/growth profile*. It is this positioning that also makes us size wise.

We come now to the scale reason. Interbrew's resources and M&A expertise have allowed us to follow up our first acquisition in a particular country or region by further transactions to reinforce market position, witht the approval of the competition authorities. We did just this in Bulgaria, Germany, Korea, Romania, Russia, the UK and Ukraine. The outcome was almost invariably successful. External growth has reliably been turned into organic growth. That is another reason we can claim to be wise about size.

We come finally to the knowledge reason. It is the mix of local and international expertise that is so powerful in our business. What does the international pair of hands bring? It gives us more sophisticated management systems and controls, world class manufacturing standards, more efficient buying, cutting edge software to optimise logistics, and brand marketing models already proved.

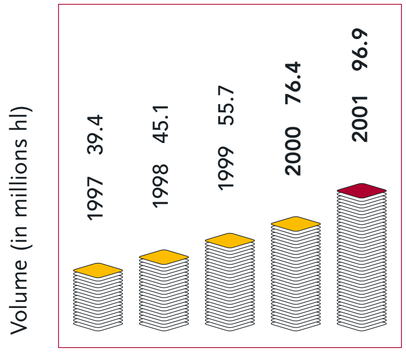
What does the local pair of hands bring? It gives us cultural insights into what really makes a brand part of people's lives. It gives us a network of individual breweries as training sites, and test beds for ideas. It gives us a diversity of ways of finding success, rather than the straitjacket of "we do it like this". We know when to be international (*ie* big) and when to be local (*ie* small), and that also makes us size wise

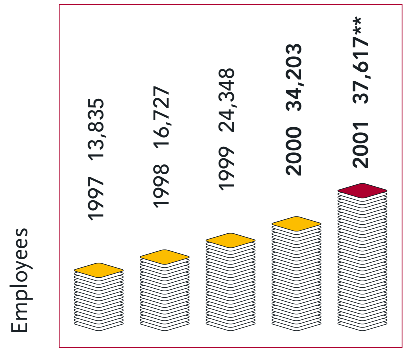
The how

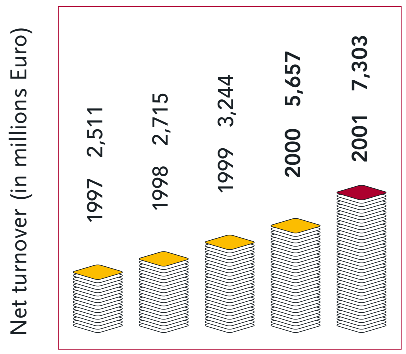
The crux of our strategy is that Interbrew has options available to address the conditions in every country where we operate. If consolidation is possible, we know how to consolidate in a way that adds value. If consolidation is not possible, but segmentation is, we can draw on a superb premium and speciality portfolio. If neither applies, we can use our knowledge, and improve the business through best practice. Or any mixture of the above, as the country requires. Whatever the character of each national business, Interbrew has the opportunity to boost its potential – because of our brands, geography, scale and knowledge. Being the World's Local Brewer© gives us the business options we need. That is what makes us size wise.

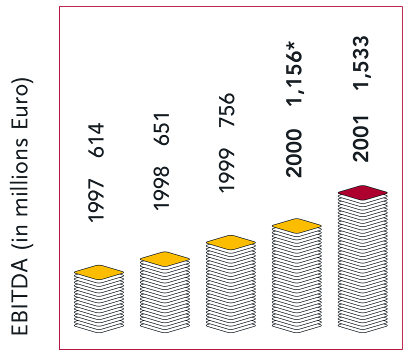
* Source Canadean, Economist Intelligence Unit, Euromonitor

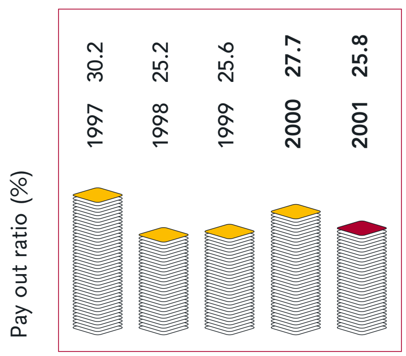
Key figures – five year review

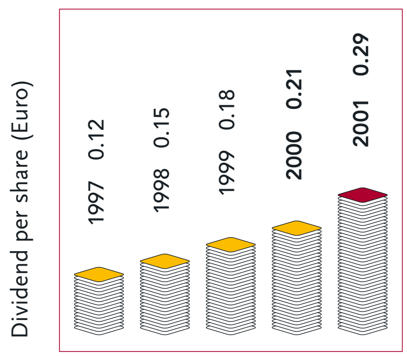












* 2000 IAS

** Employee number based on full-time equivalents

	2001 IAS	2000 IAS	2000	1999	1998	1997
Volume (in millions hl)	**96.9**	**76.4**	76.4	55.7	45.1	39.4
Net turnover (1) (in millions Euro)	**7,303**	**5,657**	5,657	3,244	2,715	2,511
EBITDA (2) (in millions Euro)	**1,533**	**1,156**	1,199	756	651	614
Operating profit (in millions Euro)	**884**	**533**	644	419	383	355
Net profit (share of Group) (in millions Euro)	**698**	**-964**	-910	230	190	132
Net profit (share of Group) (before extraordinary Bass goodwill impairment)	**537**	**271**	325	230	190	132
Cash flow from operations (in millions Euro)	**1,053**	**871**	715	523	438	416
Net Capex (in millions Euro)	**488**	**425**	425	231	165	149
Net financial debt	**2,662**	**2,906**	2,930	2,061	1,750	1,272
Market Capitalisation (in millions Euro)	**13,257**	**15,865**	15,865	N/A	N/A	N/A
Adjusted net profit per share (3) (4) (Euro)	**1.44**	**1.04**	1.21	0.82	0.69	0.51
Dividend per share (3) (Euro)	**0.29**	**0.21**	0.21	0.18	0.15	0.12
Pay out Ratio (%) (7)	**25.8**	**N/A**	27.7	25.6	25.2	30.2
Average Number of Shares (in millions) (6)	**429**	**335**	333	323	322	322
Fully Diluted Number of Shares (in millions) (6)	**434**	**343**	436	332	336	338
Share Price High (Euro)	**37.5**	**38.1**	38.1	N/A	N/A	N/A
Share Price Low (Euro)	**25.5**	**34**	34	N/A	N/A	N/A
Year-end Share Price (Euro)	**30.75**	**37.12**	37.12	N/A	N/A	N/A
Return on Invested Capital (%)	**11.4**	**11.4**	11.7	10.4	12.6	14.2
Cash Interest Coverage	**5.4**	**2.8**	2.7	4.1	4.8	5.6
Debt equity ratio	**0.55**	**0.71**	0.75	1.34	1.53	1.13

(1) Turnover less excise taxes
(2) Operating profit plus depreciation and amortisation and amortisation of Goodwill.
EBITDA does not reflect the impact of extraordinary income (expenses)
(3) Adjusted for stock splits
(4) Net profit (share of the group) (before extraordinary Bass goodwill impairment) plus amortisation of goodwill, divided by the average number of shares outstanding
(5) Gross dividend divided by net profit (share of the Group) excluding Bass write off
(6) Calculation adjusted for IAS
(7) Based on the net profit without the Carling contribution

Letter to Shareholders

A significant year

Is there ever a year with Interbrew that is not a significant year? Perhaps what outside observers will think about first for 2001 is Bass and Beck's. The year certainly started at a low point, when our acquisition of Bass was blocked by the UK regulators. This was a blow, but we were not pushed off course. We worked hard during the year to get a positive outcome on the UK file, while continuing to pursue our strategic agenda. The UK situation was not resolved when unexpectedly a famous international brand, Beck's, came up for sale. Rather than let the opportunity pass, we acted on our convictions about how to be successful, and made the acquisition. The Beck's deal was not completed in 2001, since it closed in February 2002, but the implications for our business, and for the way Interbrew is judged, are so fundamental that we will address this issue first.

The immediate view was that we overpaid. We can say that we remain highly positive about the prospects, having gained full information after completing the transaction. However, only the actual results of Interbrew ownership in years one and two will prove the point one way or another. In the meantime, let us share with you our thinking.

Essentially, what we got for our nearly 1.8 billion euro was four businesses and a worldwide trademark – a glass business, a Coca-Cola business, a German domestic beer business, and an international business. If you add up the fair value of each of those businesses, the difference between that and what we paid is the premium – and for that we got a trademark. A great international trademark. In the right hands this brand can be much bigger than its present volumes.

While some said we paid a full price, we also heard it argued that we overpaid by 10%, making that premium 180m euro. Can the Beck's trademark be worth that to Interbrew? As owners of Stella Artois we have a "make" or "buy" choice in front of us. Where we have a local platform but no Stella Artois presence today, it will be a 10 to 20 year process to build the brand. We face several years of investing ahead of profitability. What is the cost of taking Stella Artois internationally to an extra 2.7m hectolitres – the international premium volumes acquired with Beck's? How many years of spending more than 100m euro a year to achieve this? In weighting these choices, we concluded that the premium we would pay for the international trademark did indeed represent fair value.

There is another factor in the balance. Beck's is a German brand, and it is understood around the world that Germany is the number one country for beer – in the same way that France is number one for wine, that pasta comes from Italy, and hi fi from Japan. At the time of the IPO we heard investors telling us that, vis-à-vis the competition, we lacked a comparable international brand. We were listening.

By buying Beck's, Interbrew reached an important position in six countries with a leading international lager. As for building the brand further, whereas Beck's rented someone else's platform to go to market, we have 22 country platforms available. Can we get from 6 to 10 countries in the next decade? It becomes much more likely if we do "buy" as well as "make". We can develop Beck's without detriment to Stella Artois, letting the stronger brand take the lead in each country (as we explain on page 42). That is how we thought about the premium, beyond the sum of the parts.

It was a great deal because we acquired a great brand. Incidentally, we could also finance this acquisition at very attractive rates. Furthermore changes to the German tax regime allowing us to amortise goodwill made this a highly tax efficient transaction. Germany is a market set to consolidate and through Beck's in combination with Diebels we have built an attractive position offering top line growth and improved profitability underpinned by synergies.

"By buying Beck's, Interbrew reached an important position in six countries with a leading international lager"

Letter to Shareholders

"Being wise about size means volume quality not just quantity"

Results in 2001

We have covered Beck's in some detail, because it is such a clear example of the Interbrew approach to value creation. In a year or two we will be able to report the actual outcome of the deal. In the meantime, let us consider the value created in 2001 (and we exclude Bass in the UK from the figures in this Letter to Shareholders). We achieved double digit growth not just on volume but on all key measures, even though 2000 was itself a record year, and hard to beat.

As a pointer to how we develop the business, the growth in net turnover (+16%) exceeded the growth in volumes (+14%). Being wise about size means volume quality not just quantity. In addition EBIT and net profit showed outstanding growth, up 46.8% and 83.8% respectively. We also recorded a solid improvement in earnings per share before goodwill, up 30.3%. This was realised despite the 28% increase in the number of our shares in 2001 following the IPO at the end of 2000. Profitability rose, with an increase of 94 basis points in return on invested capital, up from 13.0% to 14.0%.

We take particular pride in the rise in our net turnover margin, up from 78.4 to 78.8 euro per hectolitre. Despite the significant growth of volume in emerging markets at considerably lower net sales prices. This is the touchstone for value growth, achieved despite our significant presence in emerging markets. Remember that these figures do not include Bass, so you do not have to deduct anything to account for the departure of Carling Brewers. And the Bass situation has now been retrieved to an extent that seemed unlikely at the beginning of the year.

The Bass outcome

We were stunned by the blocking of the Whitbread and Bass merger, since all the legal/economic analysis pointed towards a market share that would be finally acceptable, on resolution of the disposal issue. The only appeal mechanism available to us was a draconian judicial review. We believed we had to challenge the decision, and started an uphill battle against the odds. When we won in the high court it was an unprecedented overturning of a Competition Authority decision. It is worth mentioning that the team winning on 24 May was the same team that lost on 3 January, as we saw no need to withdraw trust.

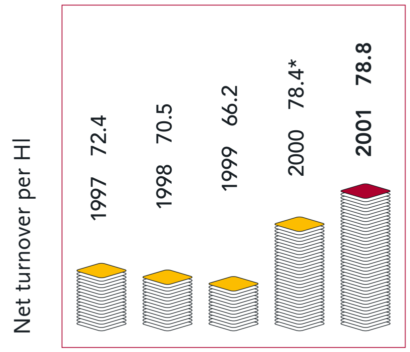
The settlement gave the UK business the tools for expansion in its own country. It was certainly more than a technical victory. We achieved a 50% increase in our UK platform, up from an 11% to a 16% share. We doubled our profit, and gained a UK business that was size wise. Synergies became available between Interbrew UK and the businesses in Scotland and Northern Ireland, and between Bass exports and the rest of Interbrew. It constituted a highly promising advance on the position at the start of the year. Scotland and Northern Ireland had the infrastructure in place but needed growth. That growth could be provided by putting two brand champions together – the leading core lager and the UK's favourite international premium, Tennent's and Stella Artois.

The UK is currently a growth business in our terms. Lager is our business, and lager, especially premium lager, has grown there for 20 years and is still only 65% of the market. We can now see a clear road to expanding our UK platform, organically and by transaction. We have the prospect of growth in both sales and EBITDA. We should also grow returns, since we started Interbrew UK from a reasonable investment base.

Meanwhile the performance of Bass under Interbrew ownership was outstanding. It was accretive for us from year one, despite the ruling out of synergies. Volumes grew strongly, bringing market share of 22% overall. Notwithstanding of additional marketing and sales expenses EBIT grew significantly, after a five-year period of no growth. This surge in performance improved the value we could achieve on exit, and gave credibility to the plans we bequeathed to the purchaser.

As that chapter closed, we basically ended up with a UK business that was worth what we paid for it. We sold Carling Brewers on time and for an attractive price. After raising £1.2 billion through the disposal, our net investment was approximately £1.8 billion and this for a business that generates 170m euro of EBITDA. Now that the dust has settled, we can calculate the EBITDA multiple for the UK acquisition. It amounts to 8.8, very much in line with the industry average. We see it as a reasonable price for an important position in such a huge beer market as the UK. A year of hard work ensured that we could restore shareholder value, something most commentators did not expect.

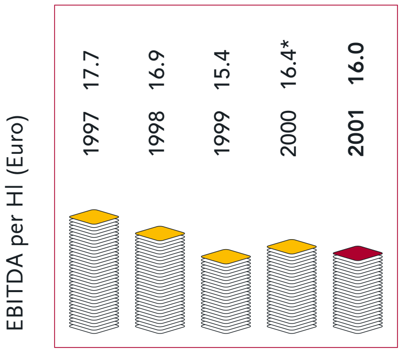
"A year of hard work ensured that we could restore shareholder value"



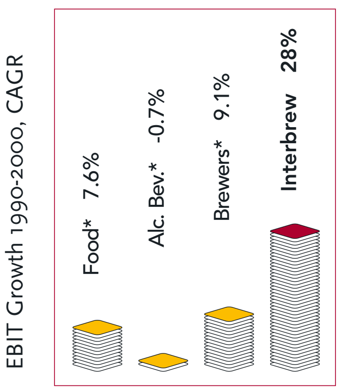
* 2000 IAS

Letter to Shareholders

"We have recorded the best growth in the business, against the best in the business"



* 2000 IAS
Volumes Femsa excluded



* Average of industry leaders
(Source: Annual Reports)

First year as a public company

The IPO was a strategic step taken to enable us to continue to be a leading consolidator. The timing raised some eyebrows, but proved sensible in terms of consolidation opportunities and the stock market trend. Going public certainly changed the company, in terms of outside perceptions and internal development. We had to learn how to communicate differently with the outside world. Our approach seems to have served us well, and within a relatively short period of time we were viewed as a real peer of the two accepted leaders in the industry. Certainly being stock listed increased the level of professionalism in the company.

At the time of the IPO we committed to a switch in 2001 from Belgian generally accepted accounting principles to International Accounting Standards (IAS). We achieved this on time, well before the regulatory deadline as currently set at 2005 – the first major EU brewer to adopt these internationally accepted standards. Internally it makes more sense for our affiliates across the world to report in IAS rather than Belgian GAAP. More importantly, IAS makes our statements more understandable to shareholders, investors and the capital markets. As such it is an appropriate response to having outside as well as family investors participating in our business. IAS is an important, albeit technical example of our commitment to our shareholders.

Pursuing shareholder value

Shareholder value is an ill-defined concept. Surely it means more than simply growth in share price and dividends. The share price is clearly part of the value assessment, but it has a one-minute time span attached to it – of most relevance to a trader, interested in short-term movements. An investor who buys to hold, not trade, will look rather to company fundamentals. In our world we look at shareholder value in terms of brand health and growth prospects. We consider not just the vigour of our individual local brands and premium/speciality brands, but the brand mix – the fact that a high proportion of our business is exposed to the inherently attractive growth trend in the premium/speciality segment. We consider not just the vigour of our individual countries, but the mix – the fact that the growth rate expected for our particular geographies is ahead of that of our global competitors. And that's before we do anything operationally to outpace the local market. It is of course the goal of Interbrew to use what we know as a company to outperform the best local competitor.

Our track record

Assessing shareholder value relies on both evidence and judgment – evidence of performance so far, and judgment as to how far the story of the past will continue into the future. Track record not only cumulates performance, it conditions judgment. The more consistent the track record, the more confidence in the underlying pattern. How do we measure up on this front?

Our track record is not just one year as a public company, but stretches back over a decade. We have been second to none for ten years in terms of operational performance. We have recorded the best growth in the business, against the best in the business. And that is not just a matter of volume. It covers all key metrics. Such results do not come by chance. We must be doing something right.

Before embarking on the Beck's transaction, we reviewed our acquisition history and noted that every major step met a sceptical response when first announced. This was certainly the case with Labatt in 1995, Russia in 1999, Korea in 1998, Croatia in 1994 and the UK in 2000. That pessimism is not surprising, since most mergers and acquisitions fail to deliver the proposition put forward. Yet we have done 30 acquisitions since 1990 and almost without exception have managed to create value. At the root of our success is the skill of our people in integrating the new operations. We salute their achievements and assure them that the leadership of the company will do what it can to make the future of Interbrew worthy of their commitment.

In the past decade, working together, we have turned a regional brewer into a leading international company. We are now in a better position to shape our destiny and create shareholder value for the future.

Reaffirming our targets

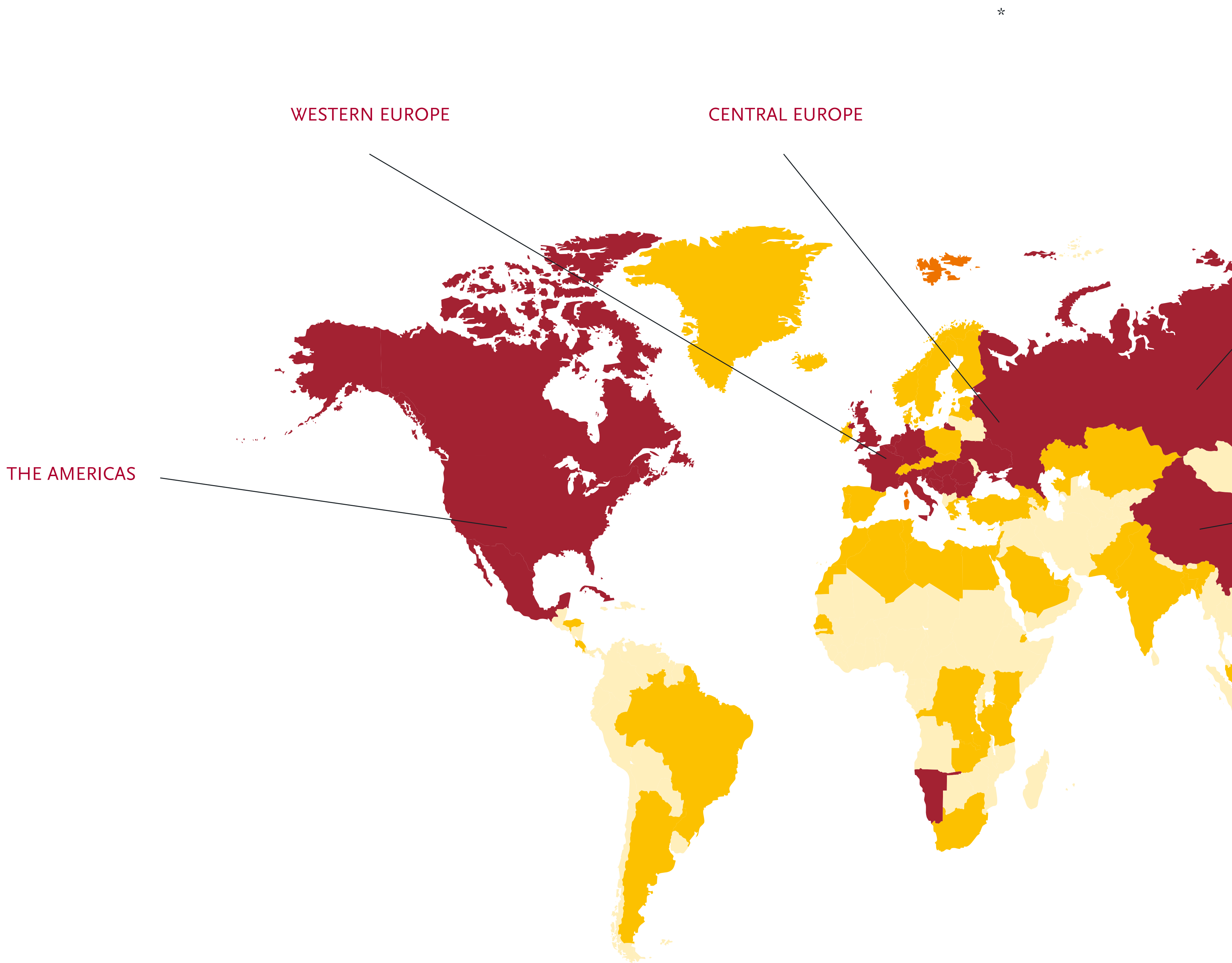
When we started our journey to the IPO we set out our parameters for the company, which were as follows: achieving and preserving investment grade status; and ensuring that transactions were neutral or accretive in the first full year of consolidation, in terms of earnings per share before goodwill amortisation. We are still anchored in this discipline as we approach future acquisitions.

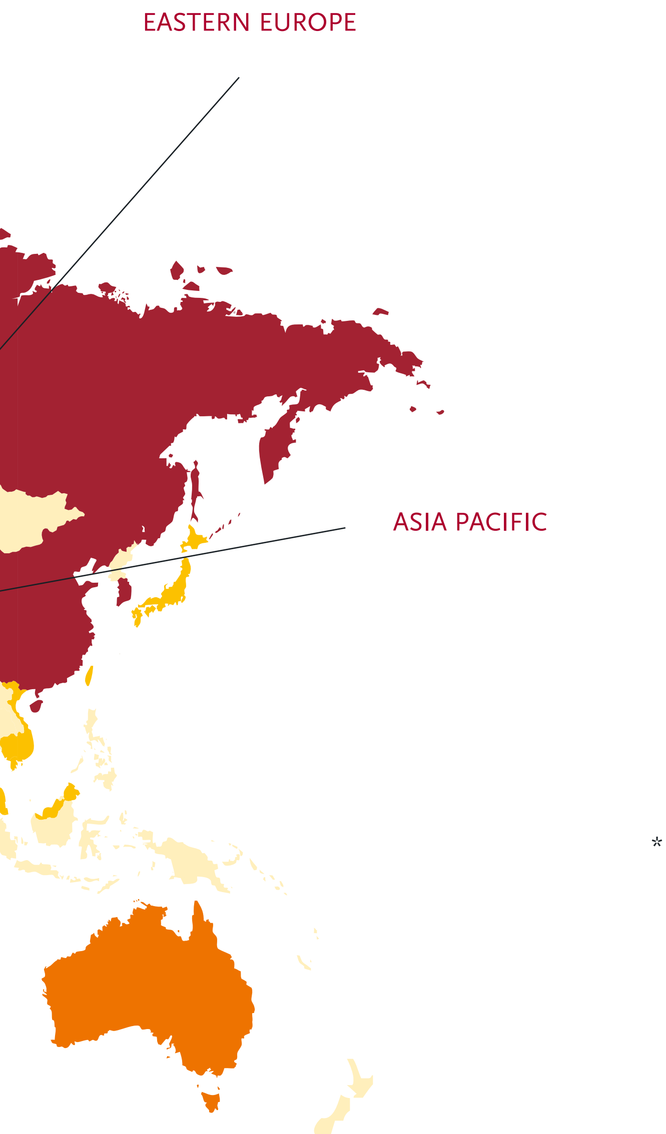
We said that for 2001 investors could count on organic EBITDA growth of 8% and earnings per share before goodwill amortisation of 12%. As you now know, this target was achieved. We are now confirming further targets. Over the next three years we are targeting double digit growth in average annual EPS on the same definition. Results in a single year may be better or worse, but taking the three years as a whole this is what we set ourselves to achieve. And this target is irrespective of scope change. In other words, we will avoid an acquisition which would be so dilutive as to put that target out of reach. That is why the theme of this report, size wise, is so apropos. We may drive for size, but we intend to be wise.

Pierre Jean Everaert
Chairman of the Board

Hugo Powell
Chief Executive Officer

A guide to our brands





INTERNATIONAL PREMIUMS

Stella Artois is now the world's No.6 international premium lager

Beck's is the leading international premium lager from the country which is synonymous with beer – Germany

INTERNATIONAL SPECIALTIES

Hoegaarden inspired the Belgian white beer revival

Leffe is the world's leading abbey beer

Bass ale now sells more in the US than in the UK

KEY

Countries where Interbrew has a subsidiary, joint venture or minority shareholding

Countries where Interbrew has a licence agreement

Countries where Interbrew beers are distributed

* Brewed under licence

A guide to our businesses

	Volumes in 2001 (hectolitres)	Market position	Market share	Number of breweries	Trading name
The Americas	**21.3m**				
Canada	9.1m	No. 2	43.3%	8	Labatt Brewing Company
Cuba	0.7m	No. 2	30.4%	1	Bucanero
Mexico	6.7m (1)	-	43.6%	6	FEMSA Cerveza
USA	4.8m	No. 2 (2)	14.5% (2)	1	Labatt USA
Western Europe	**44.3m**				
Belgium	6.4m	No. 1	56.0%	4	Interbrew Belgium
France	2.7m	No. 3	10.1%	–	Interbrew France
Luxembourg	0.3m	No. 1	43.6%	1	Brasseries de Luxembourg Mousel-Diekirch S.A.
Netherlands	2.7m (3)	No. 2	15.8%	3	Interbrew Nederland
UK	10.9m	No. 4	11.1%	3	Interbrew UK
Germany	0.5m (7)	-	1.4%	1	Brauerei Diebels Beck & Co (10)
Bass Brewers	17.1m	No. 2	22.4%	6	Bass Holdings Ltd
Export	3.4m			N/A	
Licenses	0.3m			N/A	
Emerging Markets	**31.3m**				
Bosnia-Herzegovina	0.1m	No. 4	8.5%	1	Uniline
Bulgaria	1.3m	No. 1	31.4%	3	Kamenitza AD
Croatia	1.7m	No. 1	42.5%	1	Zagrebacka Pivovara
Czech Republic	2.6m	No. 2	13.7%	3	Prague Breweries
Hungary	2.2m	No. 1	30.1%	1	Borsodi Sörgyar
Montenegro	0.6m	No. 1	84.0%	1	Trebjesa
Romania	1.5m	No. 2	13.2%	3	Compania de Distributie National S.A. Bianca Interbrew Bergenbier Proberco Interbrew EFES Brewery S.A.
Slovenia				1	Pivovarna Union
Russia	7.9m	No. 2	12.8%	8	SUN Interbrew
Ukraine	5.0m	No. 1	34.6%	3	SUN Interbrew
China	0.4m	-	3.0% (4)	2	Nanjing Jinling Brewery Company
South Korea	8.0m	No. 2	44.6%	3	Oriental Breweries

(1) 30% of total volumes
(2) In Domestic Specialities & Imported Beers (Off Trade channel)
(3) Includes domestic subcontracting volumes
(4) Share within own business area
(5) Interbrew has management control
(6) Economic value is 66.3%
(7) 4 months (as of 1st September, 2001)
(8) On December 31, 2001; a stake of 40.8% was attained on January 17, 2002
(9) Brewed under licence
(10) Integrated into Interbrew as of 1st February, 2002

Interbrew voting rights	Key brands Global brands Stella Artois	Beck's	Leffe	Hoegaarden	Bass	Local brands
100%	•	•	•	•	•	Labatt Blue, Blue Light, Kokanee, Alexander Keith's, Wildcat, Boomerang, Budweiser (9)
50%						Cristal, Bucanero
30%						Tecate, Sol, Dos Equis, Carta Blanca, Superior, Indio, Noche Buena, Bohemia
70%	•	•	•	•	•	Rolling Rock, Labatt Blue, Blue Light, Sol, Dos Equis, Tecate, Löwenbräu (9)
100%	•	•	•	•	•	Hougaerdse Das, Jupiler, Belle Vue, Safir, Vieux Temps, Rolling Rock
100%	•	•	•	•		Lutece, Loburg
78.6%	•	•	•	•		Diekirch, Mousel, Grande Réserve
100%		•				Dommelsch, Oranjeboom, Hertog Jan, Witte Raaf, Elfde Gebod, Hougaerdse Das, Rolling Rock
100%	•	•	•	•		Boddington, Whitbread
80%					•	Diebels, DIMIX
100%		•				Haake-Beck
100%	•		•	•	•	Tennent's, Carling, Caffrey's, Worthington
N/A						
N/A						
59.2%	•					Ožujsko, Bozicno, Tomislav
84.6%	•		•	•		Kamenitza, Astika, Burgasko, Pleven
71.9%	•	•				Ožujsko, Bozicno, Tomislav, Belle-Vue, Rolling Rock, Labatt Blue, Labatt Ice
96.8%	•		•	•		Staropramen, Branik, Ostravar, Velvet, Kelt, Mestan, Vratislav
98.5%	•					Borsodi, Rolling Rock, Holsten (9), Kinizsi, Belle-Vue
72.7%	•		•	•		Niksicko
100%	•					Bergenbier, Noroc, Hopfen König (9)
70.8%						
96%						
50%						
25.6% (8)						Union, Fructal
34.2% (5) (6)						Klinskoye, Tolstiak, Sibirskaya Korona, Bag Beer, Volzhanin, Premier, Bavaria, Viking, Rifey, Pikur
34.2% (5) (6)						Chernigivskoye, Taller, Yantar, Cernyj Prints, Rogan
60%		•				Jinling, Ice Best, Yali, Hu Pi
50% (5)						OB Lager, Cass, Cafri, Red Rock, Budweiser (9)

Corporate governance

"A new bottle for Hoegaarden, which at this stage in its UK lifecycle is bigger than Stella Artois was"

The corporate governance rules established by the Interbrew board of directors support our business ambitions. They ensure that the company is effectively run and properly controlled. Without limiting vision or hampering swift action, the rules put a framework of best practice, clarity and right thinking around the company. The way powers and responsibilities are divided between the board of directors and executive management ensures that all key people give Interbrew the two kinds of leadership it needs – one based on control, and one based on advance. The essential discipline within the company provides a base on which we can build our dream of the Interbrew of tomorrow. The rules are tough in order to give us all confidence – outsiders and insiders alike – that Interbrew pursues its destiny along a proper path.

The Board of Directors

The board is the ultimate decision-making body, except for the powers reserved to the shareholders' meeting by law, or by the charter. The board decides the company's strategy, the long-range plan, and all major investments and divestments. It also controls the implementation of the decisions that result. The board appoints the chief executive officer and members of the three board committees. It also decides, taking note of the CEO's recommendations, on the structure of the group, major or long-term transactions, the appointment or dismissal of members of the executive management, the budget, and investment plans.

Board members, including at least six who are independent of shareholders exercising a decisive or significant influence on Interbrew policy, are selected by the board itself and approved by the shareholders' meeting. The chairman is appointed by the board from among its members. Directors are appointed for three years, and must retire after the shareholders' meeting following their 70th birthday. Current members are:

Directors	Term expires
Pierre Jean Everaert* – Chairman	2003
Charles Adriaenssen	2003
Count Christophe d'Ansembourg (2)	2002
Allan Chapin* (1)	2002
Jean-Luc Dehaene*	2004
Harald Einsmann* (2)	2002
Bernard Hanon* (2)	2002
Remmert Laan	2004
Baron Frédéric de Mevius	2003
Count Arnoud de Pret Roose de Calesberg (1)	2002
Viscount Philippe de Spoelberch	2004
Alexandre Van Damme	2004
Kees J. Storm* (3)	2005
Peter Harf* (3)	2005

Chief Executive Officer
Hugo Powell
Corporate Secretary
Patrice J. Thys

* Independent director – (1) Mandate renewable on 30 April, 2002
(2) Mandate ending on 30 April, 2002 – (3) Starting as of 30 April, 2002

Corporate governance

Pierre Jean Everaert (62) has served as a Director of Interbrew since 1997. He serves on the boards of KPNQwest, Banque Parisbas PA Group (US), Baan Company and other companies.
Charles Adriaenssen (45) has been an Interbrew Board Member since 2000. He is Managing Director of the CA&P Group (Belgium).
Count Christophe d'Ansembourg (38) has been a Director of Interbrew since 1996. He is a Managing Director of Optimol Tribotechnik S.A. (Belgium).
Allan Chapin (60) has been a Director of our company since 1994. He is a Managing Director of the bank Lazard in New York.
Jean-Luc Dehaene (62) former Prime Minister of Belgium, from 1992 to 1999, has served on our board since 2001. He is also a board member of Umicore, Telindus, Domo and Corona Lotus.
Harald Einsmann (67) has been a Director of Interbrew since 1999. He is also Director of EMI Music Group, Tesco, BAT and other companies.
Bernard Hanon (67) has been a director of Interbrew since 1990. He is General Manager of Hanon Associates in Paris since 1986.
Remmert Laan (59) has been a Director of Interbrew since 1998. He is a Managing Director of the bank Lazard in Paris.
Baron Frédéric de Mevius (42) joined the Board of Directors of Interbrew in 1991. He is the Managing Director of Verlinvest S.A./N.V. (Belgium), a private holding company.
Count Arnoud de Pret Roose de Calesberg (56) has been a member of our board since 1981. He holds several mandates within the Union Minière Group.
Viscount Philippe de Spoelberch (60) has served on our board since 1977. He is Member of the Board of Mosane, Floridienne and other Belgian private holding companies.
Alexandre Van Damme (40) has been a member of our Board of Directors since 1992. He is Director of Patri SA (Luxembourg).

The board meets regularly and as frequently as required by the company's interests. In 2001 the board held 10 ordinary ad 6 special meetings. These are often held in countries where Interbrew has subsidiaries, to allow directors to learn more of the local situation, issues and activities.

The board is a collegial body. Decisions are made by a simple majority of the votes cast. In the event of a tie, the vote of the chairman is decisive. Any Director with a conflicting financial interest must bring this to the notice of both the statutory auditors and fellow directors, and take no part in related deliberations.

Directors have access to all the corporate information they need to fulfil their fiduciary duties. Administrative assistance is provided by the corporate secretary, who organises and attends the meetings of the board. In addition, a formal procedure allows directors to obtain advice from independent experts. On occasion a director may be granted a special mandate, after the board has determined its duration and objectives. Mandated directors report regularly to the board. Certain directors also serve on the three board committees – the Strategy and Business Development Committee, the Audit and Finance Committee, and the Human Resources and Nominating Committee.

Chief Executive Officer and Executive Management

The Chief Executive Officer (CEO) is in charge of Interbrew's day-to-day management, and has direct operational responsibility for the entire company. He chairs the Corporate Committee (CC), which is responsible for the centralisation and implementation of the strategic development of the company. The Chief Operating Officer (COO), is a member of the Corporate Committee and chairs the Operating Committee (OC), which aligns operations and developments in the different regions.

The CEO makes recommendations on members appointed to the two committees, who together form the executive management of the company. The Corporate Committee makes decisions on all major issues affecting the company which are not reserved to the board. Among these are major short-term financial transactions, short-term fund management, capital contributions, and property transactions. In addition the corporate committee examines all the issues on which the CEO puts recommendations to the board, and makes all executive appointments below executive management level. Both corporate and operating committees meet at least once a month. Normally executives retire at the end of the year following their 65th birthday. Details of interbrew's corporate committee are given on page 24.

Corporate governance

Board committees

The board of directors is assisted by three formal committees.

The Strategy and Business Development Committee (SBDC) advises the board on strategy, partnerships, acquisitions and divestments. The SBDC has four board members (two independent and two from the controlling shareholders) and four executive members from the corporate committee, including the CEO.

The Human Resources and Nominating Committee advises the board on the management of human resources, particularly in relation to performance monitoring, management succession planning and remuneration.

In its audit function, the Audit and Finance Committee assists the board in its responsibility for control of the company, particularly in relation to the roles of statutory auditors and internal auditors, and the way they work together. The CEO, some members of the executive management and Interbrew's statutory auditors attend its meetings when necessary, but the committee meets in their absence at the request of the statutory auditors or corporate audit director or if any of its members so requests.

The Audit and Finance Committee operates on lines laid down in a charter, which was most recently amended by the board of directors on 12 March 2002. Responsibilities are clearly defined.

Within the framework of financial statements, Interbrew's management prepares, presents and ensures the integrity of the company's financial statements. It is also responsible for the principles which govern the company's accounting and financial reporting, as well as for internal controls and procedures designed to assure compliance with accounting standards, the law and regulations. The statutory auditors are responsible for auditing the company's financial statements, and expressing an opinion as to their conformity with IAS (International Accounting Standard).

In its audit function, the Audit and Finance Committee oversees management as it carries out these responsibilities. Accordingly it considers the audited financial statements, and discusses them with management and the statutory auditors. The committee also evaluates the statutory auditors' independence by discussing with them their written statement delineating all relationships with the company.

The board selects members of the three board committees from among the directors, while certain top executives sit *ex officio*. Current membership is as follows:

Audit & Finance Committee

Allan Chapin*	Baron Frédéric de Mevius
Pierre Jean Everaert*	Count Arnoud de Pret Roose de Calesberg

Human Resources and Nominating Committee

Charles Adriaenssen	Hugo Powell**
Pierre Jean Everaert*	Viscount Philippe de Spoelberch

Strategy and Business Development Committee

Stéfan Descheemaeker**	Luc Missorten**
Pierre Jean Everaert*	Viscount Philippe de Spoelberch
Hugo Powell**	Alexandre Van Damme
Patrice J Thys**	Bernard Hanon*

* Independent Director

** Corporate Committee member

Corporate governance

Other issues

REMUNERATION In 2001 we paid total compensation, including bonuses, of 18.2m euro to board directors and executive management. Of that sum, 0.8m euro was paid to members of the board, and 17.4m euro to the CEO and other executives.

LONG TERM INCENTIVES We adopted a long-term incentive plan in 1999, under which the board may on occasion issue non-transferable registered subscription rights to directors, executive officers and managers. That issue must satisfy the conditions for limitation or cancellation of shareholders' preferential rights. Each subscription right entitles the holder to subscribe for one share, paying the average share price during the 30 days before the subscription right was issued.

REMUNERATION OF AUDITORS The general meeting of shareholders determines the remuneration of the auditors for their services in connection with the audit of our financial statements. Their annual fee for these services is currently 7,379,000 euro excluding value-added tax. Our statutory auditor is KPMG, represented by Erik Helsen.

EMPLOYEE SHARE PURCHASE PLAN (ESPP) In 2000 and 2001 we put in place an ESPP under which most employees worldwide had the opportunity to purchase Interbrew shares at a 20% discount to the average price over the previous 30 days. As a result of such payments, the employees today own 0.15% of the capital of the company.

INTERESTS IN TRANSACTIONS Our directors, executives and auditors have had no interests in any Interbrew transaction with unusual terms during the past three fiscal years.

DIVIDEND POLICY We intend to retain the majority of our earnings to finance future growth. The sum available to pay dividends is between 25% and 33% of our net after tax earnings.

ENVIRONMENT, HEALTH AND SAFETY POLICY We are committed to conducting our business in a socially responsible way, in order to protect our employees, stakeholders, customers and the environment. In 2001 a new environment, health and safety (EHS) policy was drawn up, setting out the principles we want to act on all over the world. It provides guidance to all our personnel, especially our management people and EHS professionals. Key issues covered are the continuous improvement of our EHS performance, compliance with legal requirements, consultation with employees and the authorities, the definition of concrete objectives and clear targets, and the clarification of employee and management responsibilities.

Shareholding structure

The most recent notification of major shareholdings, made under Belgian law on 31 December 2001, indicates that three organisations acting in concert hold 283,484,940 ordinary shares of the company as in the table below:

	Number of shares (on 31 December 2001)	% of voting rights attached to shares issued by the company
1. Stichting Interbrew	275,620,142	63.93%
2. Fonds Interbrew-Baillet Latour	3,370,800	0.78%
3. Fonds Verhelst	4,494,000	1.04%
Total of 1, 2 and 3	283,484,940	65.75%

Shareholders' arrangements

Our controlling shareholder is Stichting Interbrew, a foundation organised under the laws of the Netherlands. The holders of certificates issued by Stichting Interbrew relating to specific shares are not entitled to require the exchange of their certificate for shares in our company before 30 June 2004. After that 12 months' notice is required.

Stichting Interbrew could only be dissolved if it no longer held any certified shares, or if an 85% majority of the holders of certificates decided for dissolution at a general meeting, following a proposal by the Stichting Interbrew board of directors.

Stichting Interbrew has entered into voting agreements with Fonds Interbrew-Baillet Latour and Fonds Verhelst. These agreements provide for consultations between the three bodies before any shareholders' meeting to decide how they will exercise the voting rights attached to the shares they hold.

Honorary chairmen

Interbrew has three honorary chairmen:
Raymond Boon-Falleur
Jacques Thierry
Baron Paul De Keersmaeker

Who's who: the executive management team

Corporate Committee

Hugo Powell
CHIEF EXECUTIVE OFFICER

Mr. Powell (57) has been the Chief Executive Officer of Interbrew S.A. since 1999. Prior to that he held various operational positions within John Labatt Ltd. and Interbrew since 1984, including Chief Executive Officer of Interbrew Americas since 1995.

Prior to 1984 he was President of Jacobs Suchard Germany, and prior to that President of Nabob Foods Canada.

He started his career with Unilever Companies Inc. in the United Kingdom in 1963 and joined Warner Lambert in U.K. in 1968 before transferring to Canada in 1971. He then served as President of Lowney's Ltd. beginning in 1977. Mr. Powell graduated from Charterhouse, England.

Stéfan Descheemaeker
CHIEF STRATEGY & BUSINESS DEVELOPMENT OFFICER

Born 1960; Commercial Engineer Solvay, University of Brussels (ULB), 1983; started career as consultant, departmental staff of the Minister of Finance, Brussels, 1984; joined Interbrew as director, corporate strategy, 1996.

Jerry Fowden
CHIEF OPERATING OFFICER

Born 1956; BSC Honours in Food Science and Management Studies from the University of London. He held several positions with Mars, PepsiCo, Hero and the Rank Group and was COO of Bass Brewers from 1992 to 1996. He joined Interbrew as CEO Bass Brewers in 2001.

Luc Missorten
CHIEF FINANCIAL OFFICER

Born 1955; law degree from University of Leuven (KUL); Certificate de Hautes Etudes Européennes, College of Europe, Brugge; master of laws from University of California at Berkeley; joined Citibank N.A., 1981; began career at Interbrew as Corporate Finance Director, 1990.

Patrice J Thys
ADVISOR TO THE CHAIRMAN
CHIEF LEGAL & CORPORATE AFFAIRS OFFICER
(REGIONAL PRESIDENT, CHINA)

Born 1955; law degree, University of Louvain (UCL), Certificates in International and European Law, University of Leiden, Netherlands, Master Degree, University of Chicago, started career with F.N. Manufacturing Inc. (South Carolina/ USA), 1980; joined Interbrew as general counsel, 1989.

Chris Verougstraete
CHIEF HUMAN RESOURCES OFFICER

Born 1950; law degrees from the University of Ghent and of Brussels; MBA at Vlerick Institute of Management; started career at Sabena in 1976; also worked with Alcatel Bell, then Alcatel telecom Paris as director of human resources; joined Interbrew as Executive Vice President for Human Resources, June 2000.

Operating Committee

Dieter Ammer

REGIONAL PRESIDENT
GERMANY, SOUTHERN EUROPE & EXPORT

Born 1950; Degree of Economics University of Freiburg (Germany). He joined Brauerei Beck & Co in 1997 as member of the Management Board and became President and Chief Executive Officer of the company in early 2001.

Alain Beyens

REGIONAL PRESIDENT, BENEFRALUX

Born 1961; Commercial Egineer from the Solvay School (Brussels). He started with Interbrew Belgium in 1987 in distribution.

Steve Cahillane

REGIONAL PRESIDENT, USA

Born 1965; BA at Northwest University and MBA at Harvard. He joined Labatt USA as a National Account Operations Manager.

Jaak De Witte

REGIONAL PRESIDENT, CENTRAL EUROPE

Born 1957; Masters in Applied Economics, University of Antwerp and Master in Marketing, University of Ghent. He started with Interbrew as European Marketing Director specialties & premium beers in 1991.

Bruce Elliot

REGIONAL PRESIDENT, CANADA & CUBA

Born 1955; Bachelor Physical Education NB, 1977; joined Labatt in 1977 in New Brunswick as Sales Representative.

Stewart Gilliland

REGIONAL PRESIDENT, UK & EIRE

Born 1957; Graduate in Business Studies; joined Whitbread in 1984 as Regional Account Manager.

Larry J Macauley

CHIEF TECHNICAL OFFICER

Born 1950; Bachelor of Science, University of Waterloo (Canada), 1973; joined Labatt as a production trainee in the London, Ontario brewery, 1973.

Phillip Vandervoort

CHIEF INFORMATION OFFICER

Born 1961; Degree in Engineering, University of Leuven (KUL) and Business Administration, University of Louvain (UCL); started in 2000 with Interbrew as CIO.

Jo Van Biesbroeck

CHIEF PLANNING & PERFORMANCE OFFICER

Born 1956; economy, University of Leuven (KUL), began career with Interbrew in marketing and logistics 1978.

Ignace Van Doorselaere

CHIEF MARKETING OFFICER

Born 1959; Conference Interpreter, Ghent, MBA, The Wharton School of the University of Pennsylvania, USA; joined Interbrew in business development, 1990.

André Weckx

REGIONAL PRESIDENT, RUSSIA-UKRAINE

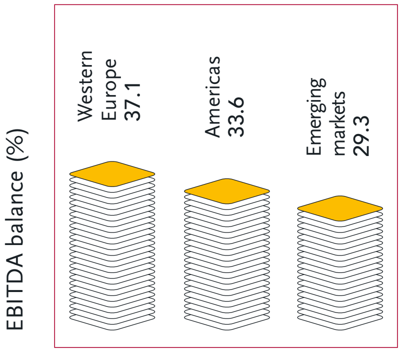
Born 1953; Engineer in chemistry and agricultural industries, University of Leuven (KUL); joined Interbrew as plant manager, Diamond Breweries, Nigeria, 1982.

Leffe®

THE GROWTH REASON

MATURE PLUS EMERGING MARKETS

The growth reason



Introduction on risk/growth strategy

Being size wise is about giving ourselves as good a chance as possible to deal with market conditions. These are never going to be easy. What was the consequence of putting local brands at the leading edge of expansion? They allowed us to enter emerging markets which were not yet ready for an imported international brand. The stability of our mature market cash flows gave us the security to invest in these riskier markets offering growth. Thus we were able to position our businesses around the world where beer had the best future. The brand strategy led straight into the growth strategy.

Our aim has been to create an intelligent geography, balancing growth against risk. The spread achieved today means that Interbrew is hedged in terms of countries, regions and currencies. The positioning means we are also advantaged, since our volumes as a whole are sited well by comparison with the competition. Balancing the mature and emerging markets is an ongoing process, but we currently have a fundamental equilibrium in the business. Western Europe, North America, and emerging markets each produce roughly a third of Interbrew's EBITDA. And cash flow, or its proxy EBITDA, is what counts in this business. Within the emerging markets themselves, EBITDA is well balanced by region – Central Europe accounts for 31%, Eastern Europe for 28.5%, and Australasia for 40.5%.

North America

CANADA Brand health is the cornerstone of the year's performance, with volumes up 1.7%. A highlight was the success of the Oland Specialty Beer Company, which projects the richness and heritage of our premium and speciality brands. Volumes grew by 30%, on top of a 30% rise in 2000, with Alexander Keith's powering further ahead. In the mainstream market we took advantage of the growth in the light segment to achieve volume increases touching 20% for both Blue Light and Bud Lite.

The organisation was strengthened to exploit the national power of one commercial strategy. We focused on building a stronger creative culture by putting innovation on the agenda of all employees. The motto for some years in Canada has been superior execution, producing a significant compound annual growth rate in EBITDA between 1996 and 2000.

UNITED STATES We continued to grow ahead of the average increase in the import and speciality segment. Rolling Rock, which gives us our local platform, competes in the difficult domestic speciality segment, and was groomed for 2002. Our three pillars of growth in this business – the Canadian brands, the Mexican brands and the Belgian speciality brands – all produced a healthy performance and remained in good shape for the future. The Canadian brands were up over 10%, the Mexican brands around 6%.
The arrival of Beck & Co after the year end made our portfolio even stronger. Adding its 1.1m hectolitres to our existing 4.8m hectolitres turned Labatt USA into the number one import speciality beer company, with three of the top five import brands. Whatever the market impact of the events in New York, we expect to continue to grow faster than the import segment. Our strategy is one of focused effort, with the top 150 wholesalers in the top 20 states as key priorities.

ELSEWHERE IN THE REGION Our 50/50 joint venture in Cuba had a good year, with 22% growth for Cristal in the hard currency market, in spite of the economy, hurricane conditions and the tourist airline bankruptcy. We continued to invest in distribution and brewery infrastructure. In 2002, however, it will be difficult to match previous growth.
In Mexico there was a slight loss of share on the year, but the industry and local demographics remained strong.

Western Europe

Continued innovation contributed to good EBIT growth overall, up 7% despite tougher competition. Belgium, the UK and the Netherlands gained market share, while share was stable in France. Interstingly, all four countries gained share in the off-trade market, a compliment to our brand portfolio. Our first full year with the ex-Whitbread business brought the highest ever market share and double digit profit growth. Our first full year with the Bass business was the best for a decade, notwithstanding the difficult environment of a business in transition.

Across the region almost all our brands improved their position. Three highlights were the fifth year in a row of double digit growth for Stella Artois in the UK, Leffe increasing share everywhere, and the double digit growth of both Hertog Jan and Dommelsch in Holland. Hoegaarden suffered from the drop in the white beer segment, but remained the clear leader. As part of a substantial development programme in the region we launched Dommelsch Ice and a beer mix brand, Conquistor.

The growth reason

Emerging markets

CENTRAL EUROPE Beer markets were more or less stable in all countries, apart from slight decreases in the depressed markets of Montenegro and Bosnia-Herzegovina. In Romania and Bulgaria purchasing power remained low and consumers continued the drift to the price and value segments, which now represent around 60% of the total market. Whatever the difficulties, we increased our total sales and market share in all countries.

Highlights were the success of Borsodi Sör, which gave us market leadership in Hungary, and the continued excellent performance in Croatia with Ožujsko, where we increased share from 40.6% to 42.5%. We recorded strong net turnover growth in Croatia, the Czech Republic and Hungary. The year saw the operational and financial turnaround of Prague Breweries following the acquisition in August 2000: we gained two points of market share and saw a strong EBITDA increase.

EASTERN EUROPE Russia once again produced strong growth in net turnover, and delivered a healthy improvement in gross margin and EBITDA. The strategic target of 70% of sales in the core segment was achieved, driving a further improvement in net turnover per hectolitre. Beervolumes grew by 2%, but the emphasis on sales value over sales volume, and our absence from certain brand and packaging segments of the market, led to a drop in market share. This will be addressed in 2002.

The business continued to evolve at a very fast pace. Major developments were the reorganisation of the company into four go-to-market business units, and the evolution of the brand strategy to enable us to compete in all segments on a national basis. Our portfolio was shaped to provide a full offering, as follows: Stella Artois, launched in the international premium segment; Sibirskaya Korona, relaunched in October as a local premium; Klinskoye, launched in May in the upper core; and Tostiak in the lower core; with a value brand being identified. In 2001 we implemented EFAS, an enterprise resource planning application, in the remaining six breweries and eight distribution centres, began the reorganisation of our distribution, and carried out a major exercise to redesign our supply chain.

Ukraine made exceptional progress, producing strong growth in net turnover, and moving into profit at the EBIT level ahead of schedule. Volumes grew by 16% and market share attained almost 35%. The realigned brand portfolio made an impressive start with the successful launch of Stella Artois, brewed in Desna for both Russia and Ukraine, the outstanding growth of Chernigivski as an upper core brand, and the convincing repositioning of our Rogan brand from the value segment into the lower core. Other highlights were the sale of Krym and rapid integration of the Rogan business.

AUSTRALASIA Korea saw market growth of 8.4%, helped by an excise reduction that kept consumer prices stable. We increased our volumes by 4.2%, leading to a loss of share. The first stages of a repositioning of OB lager were completed, producing the sort of early returns we hoped to see. The considerable growth of Cass in the core segment, and of Cafri and Bud in the premium segment, helped build the powerful portfolio we need. The fundamental position of the company improved as we recorded extremely strong EBIT growth, and achieved a positive net profit after tax for the first time. The integration of Cass was completed with the legal merger of the two companies. We also secured options to purchase the remainder of the Korean business in the future.

In China, meanwhile, our business in the Nanjing city area experienced the beginning of a revival. The decline in volumes was halted and the evidence of an upturn came through – proof of the strong equity of our local brand, Jinling, which remains the leader of that particular market.

"The position of the company improved as we recorded extremely strong EBIT growth"

Hoegaarden®
witbier-bière blanche

THE SCALE REASON

ORGANIC PLUS EXTERNAL GROWTH

The scale reason

“Our thinking on consolidation is to be wise about size, because only the post-deal story matters”

Introduction on the scale reason

The next decade promises much. McKinsey projects EBITDA in the beer business to grow by 11.1% in real terms between 2000 and 2010. Of that value, 4.3% is expected to be achieved through national, regional and global consolidation. Interbrew intends to remain one of the leading consolidators in the business, alert to the opportunities opening up. For example, we note Germany’s atomised structure with 1,270 breweries, of which only 2% brew more than one million hectolitres a year. That national industry is now ripe for change as market decline accelerates and overcapacities increase.

However, we do not see the consolidation process as a once-only opportunity. Consolidation is not a simple process where smaller bits gradually form a new cluster and that’s the end of the story. Because of the nature of the commercial dynamic, some of those clusters are not going to be sensible – and the pieces in the kaleidoscope will shift again.

Our thinking on consolidation is to be wise about size, because only the post-deal story matters. Acquisition is less about scale (how big it is), more about scope (how big it can be). In other words, bigness is the end point, not the beginning point. We reach that end point by getting behind the local management, and helping them grow their operations, adding our skills to theirs. Ours is an organic growth ambition.

This obsession with earnings growth in our acquired businesses conditions our compensation structure. The top 200 managers in the company are rewarded only for superior like-for-like performance. If they achieve organic EBIT growth, the variable component in their pay goes up. If it goes down, the bonus is cut. The same applies to the return on invested capital they deliver, since we are careful of capital use.

Our path to virtuous scale has seen organic and external growth go hand in hand. Year by year, what we do with what we've got explains a higher percentage of our performance. In the future we can expect organic growth of three kinds: a certain amount of inherent growth because of our market mix; plus some market share growth, consistent with what has been achieved in the past; plus some purchasing synergies. That is the reality behind the targets we set, and our optimism about the future. Acquisitions have given us the right platform – an intelligent disposition of our operations around the world. As some beer markets grow and others contract, we expect our footprint to be favoured.

Report on organic growth

In 16 of the countries where we run operations there were no scope changes in 2000 or 2001, making any growth last year entirely organic. And those 16 countries all grew either volume or market share, or both – except for Bulgaria, our minor businesses in China and Luxembourg, and France which remained stable. It is the same story when we look at the organic growth of our operations as a whole. Interbrew volumes, excluding Mexico, increased by 2.9%.

Of course, volume growth needs to go hand in hand with value growth. That is the real test of being better than the best local competitor. Once again last year we achieved a higher increase in net turnover than in volume, pushing up net turnover value by 8.9%. That made for a pleasing earnings result. We regard organic EBITDA growth as the key to creating value for our shareholders. We achieved a strong increase of 13.4% overall, as a result of a 18.1% increase in Western Europe, 8.6% in North America, and 27.1% in emerging markets. EBIT is a key focus for us, since it reflects how wisely we use capital in our business. The story for EBIT in 2001 was even better, up 49.4% across the world. It was particularly satisfying to see return on invested capital in the emerging markets continue to increase.

The scale reason

Report on scope changes

ACQUIRING BECK'S With Beck's, we gained one of the world's top brands. This was probably the last truly international beer brand which would become available, the only one left in private hands. The deal was signed in August 2001 and closed in February 2002. In Germany, Beck & Co is the number eight brewer with domestic volumes of 2.7m hectolitres. The German market overall is in decline, but the premium/speciality segment where Beck's plays has been growing in recent years. Beck & Co is also the only German brewer with a real export business, selling more volume internationally than domestically, a total of 2.9m hectolitres in 120 countries.

Its main market is the US, where Beck's is a 900,000 hectolitre brand and the number four import. In the US, Beck's' strength maps well with ours. Beck's has 80% of wholesalers in common with Labatt USA, but the Labatt business is growing much faster. Bringing Beck's into our call to the wholesaler will give the brand more focus and power, and allow it to realise its potential. Beck's in the UK has volumes of 700,000m hectolitres and is distributed by Scottish and Newcastle. The other major export market for Beck's is Italy where it is the leading import brand, having achieved a 14.2% compound annual growth rate over the past six years, building off German proximity and German reputation. Once again, the fit is advantageous. Interbrew recently gained a chunk of business in Italy as part of the Bass settlement when we retained Bass ale and the Tennent's brand worldwide.

ENTERING GERMANY We entered the German market in July with the acquisition of Diebels for 6.5 times EBITDA. Diebels is a classic German brand, the leader in the Alt Bier segment, with volumes of 1.5m hectolitres and a total market share of 1.4%. The business includes the new beer/cola brand DIMIX, which took off on its launch in December 2000 and reached over 100,000 hectolitres at the end of its first year.

EXPANDING FROM ENGLAND INTO THE UK As part of the Bass resolution, Interbrew was allowed to keep the Bass and Tennent's brands, which represent around 5% of the UK market. We gained leading positions in Scotland and Northern Ireland, plus a small business in Eire. These are strong businesses with high margins and good volumes. Our share is 29% in Northern Ireland and 39% in Scotland. We now have the right vehicle in all three territories to launch Stella Artois. How we handle it will be a microcosm of the Interbrew strategy – get a strong platform, then add things to it. Incidentally the Bass settlement brought us similar benefits beyond the UK. The strength of Tennent's in Italy and Bass ale in the US means that both businesses reinforce the local platform we already have.

ENTERING SLOVENIA We acquired a 40.8% stake in the number two brewer, Union Breweries – a typical example of how we use a bolt-on acquisition to reinforce our position in a region, in this case former Yugoslavia. Union has beer volumes of 1.1m hectolitres and state of the art facilities. It also produces the Fructal fruit juices (1.2m hectolitres) as well as soft drinks and mineral water (0.5m hectolitres). The transaction included licence agreements for Interbrew relating to the Union brand in Croatia, Serbia, Albania, Montenegro and Kosovo, and a contract for Union Breweries to produce Interbrew products. Our initial stake (24.6%) was increased to 40.8% during a public tender offer (which closed after the year end), and Interbrew became the biggest single shareholder.

"We gained leading positions in Scotland and Northern Ireland – strong businesses with high margins and good volumes"

Bass®

THE BRAND REASON

The brand reason

Introduction on the brand reason

Beer is a rewarding business to be in, grounded in human choice, individual liking and social pleasure. There is simply no alternative to pleasing the consumer. If we were in the mobile phone or computer business, our contact with the consumer would be dramatically reduced. One sale could last several years. It is not like that with beer. People do not buy from us once every two or three years, but twice in one evening. Nor is there any vagueness about the outcome, with purchasers not being quite sure what they're going to get: 99.9% know exactly what they're going to get. Virtually every sale is an endorsement, a vote of confidence. That is why we are so close to people.

To be a profitable brewer you need to be part of people's lives. It's good if you are part of their lives day by day. It's even better if you are part of their lives when they splash out. But the day-by-day is 90% of the market, and the splash-out is only 10%. The day-by-day is the most important part of being the World's Local Brewer©. But we are the splash-out brewer as well, as we take our world famous brands and add them to our local base. We make available the next thing people want, as wealth in a country grows or choice becomes more sophisticated. Our portfolio is a brand tower, which people can ascend.

Advance in the international speciality/premium market

The purchase of Beck's and entry into Germany gave us a much stronger position in the premium/speciality market. The market for premium lagers and the international ale family is a good place to be. It accounts for 12% of global volume but 23% of global profit. Whereas the global beer industry is forecast to grow at 2 to 3%, the speciality/premium market is expected to grow at 4.5% – double the rate. It is interesting to examine the geography of this segment. Half the volume is in three countries** – the US, the UK and Germany – and Interbrew is now active in all of them. Fast growth is expected in a further three countries – Mexico, Russia and Canada – in all of which we have operations.

Currently 20% of our volume is in the premium/speciality category. Beck's strengthens our existing international brand portfolio of Stella Artois, Hoegaarden, Leffe, and Bass ale. Ours is a well-spaced portfolio. All the specialties compete in different segments, and our two premium lagers have differentiated positions. With Beck's added in, we exceed 10m hectolitres sold at premium price, which places us in the second position in the premium segment worldwide.

** Source: Canadean, Interbrew data, annual reports, McKinsey analysis

The brand reason

"Stella Artois achieved one of the fastest growth rates in the international premium lager segment"

How Beck's and Stella Artois will fit together

Let us look at it country by country. In each market one of our premium lagers is significantly bigger and will lead. In Germany, Beck's is obviously the one. In the US Beck's is a 900,000 hectolitre brand, while Stella Artois is still on the early rungs of its ascent. There is no conflict in Italy, where Beck's is strong and Stella Artois is licensed to Heineken, or in the UK, where Stella Artois is strong and Beck's is distributed by Scottish and Newcastle. In a country where there is no obvious leader, we will focus on Beck's. It is undoubtedly the case that Beck's gives us opportunities in some markets that would be harder to enter with Stella Artois.

Growth of Stella Artois

The news is good. Stella Artois achieved a double digit volume increase, with growth in just about every market. The brand achieved one of the fastest growth rates in the top ten international premium lagers, and moved up the rankings in that category from seventh to sixth. Its second home is the UK, where it continued to power ahead. Greater availability – it is now the most widely distributed lager in the country – and the underlining of its premium qualities, pushed volumes up a further 20%. As a result Stella Artois became the third largest grocery brand in the UK.

Elsewhere we recorded particularly strong results in Australia, New Zealand, Canada and the US. The story in Central Europe was again encouraging: Stella Artois is a brand people like to afford. Volumes in the region were up 15%, with a good performance in Hungary (a rise of 7%) and in Romania (up 23% to reach 210,000 hectolitres). Looking ahead, the events of last year strengthened the possibilities of the brand. Interbrew UK gained the opportunity to spread Stella Artois' success from England to Scotland and Northern Ireland, while in other countries where Beck's will lead we now have the time to nourish that "reassuringly expensive" theme.

Performance of our international specialties in segmented markets

These are super premium brands that need a patient period of investment to get them seeded and developed. However, after that initial phase, the profit importance of a brand like this can be expected to be twice or three times its volume importance. The leader in our pack last year was Leffe, which raised its volumes worldwide by 11%. The brand continued to be built for the future in Central Europe, in the cities with higher purchasing power. Hoegaarden continued its steady growth, up 2% overall. In the UK it surged, up 15%, with the result that at this stage is its UK life cycle, Hoegaarden is bigger than Stella Artois was. The Belgian brands as a whole increased their standing in North America.

The brand reason

Report on our million hectolitre local brands

THE BIG THREE The Labatt Blue franchise in Canada is soft because of the erosion of older customers. But this is a brand which is strong with young adults – the best indication of future health. The Blue family as a whole grew in Canada and continued to gain ground in the US, with volume increases for Labatt Blue of 11% and for Blue Light of 33%.

In Korea, the relaunch of our biggest brand gave grounds for optimism. OB lager was in long term decline when we bought it in 1998. Figures for the first six months after relaunch were what we would hope to see, but we need to wait a year for more evidence that the tide has finally turned. Alongside OB lager, Cass showed signs that it could be just as formidable a brand. It added a further 20% to its volumes and passed the three million hectolitre mark, within striking distance of OB lager.

Meanwhile our first three million hectolitre brand, Jupiler in Belgium, proved it is arguably still the best. Volumes continued to grow, reaching 3.5m hectolitres last year. Its share in the mainstream lager off-trade segment is now close to 50% – a major achievement.

TOP PERFORMERS IN CENTRAL EUROPE Ožujsko in Croatia produced another outstanding performance. It had a market share of around 26% when it came into the Interbrew family in 1994, and last year reached 39%, after volume growth around 10%. Our first developing market brand, Borsodi Sör, added lustre to our 10-year celebrations in Hungary with continuing strong growth. Meanwhile our latest developing market brand, Staropramen, showed its underlying potential by responding to a repositioning with double digit growth.

THE SURGE CONTINUED IN EASTERN EUROPE The two brands setting the pace last year were Klinskoye in Russia and Chernigivski in Ukraine. Klinskoye was relaunched in May as our Russian national brand in the upper core, and achieved a 35% increase in volume to reach 2.5m hectolitres. Chernigivski was positioned as our Ukrainian upper core brand, and surged ahead to reach its highest ever market share on volumes up 59%, making it the fastest grower in our worldwide portfolio. Our Russian local premium, Sibirskaya Korona, was not relaunched until October, but immediate results made for optimism, while the volumes over the year grew by 8%. Tolstiak grew by 17% to reach 1.9m hectolitres. Another brand bidding for two million hectolitre status is Rogan in Ukraine, which maintained its growth despite a significant repositioning from the value segment into the core.

Wooing consumers with our brands

Personality is the key to a brand, and across the world we are winning awards for how that personality is portrayed. In Korea Cass picked up the Excellence Award of the Advertising Congress. In Russia Klinskoye was named Brand of the Year in the consumer marketing awards, and also received the International Effie Award for advertising effectiveness. Perhaps our most applauded brand is Stella Artois. The long-running UK campaign surpassed itself last year with the latest commercial accounted the best TV advertising in the world for any alcoholic drink, winning Gold at the Cannes Festival. Our marketing spend shows the depth of our commitment to our brands. Last year, as every year, we spent some 20% of net turnover on marketing and sales activities. We put our money where our mouth is when we say that brands are the lifeblood of our business.

"Chernigivski surged ahead to reach its highest ever market share on volumes up 59%"

REG. TM.

BECK'S

THE KNOWLEDGE REASON

THE INTERNATIONAL PAIR OF HANDS PLUS THE LOCAL PAIR OF HANDS

The knowledge reason

"Year by year we are going deeper into skill transfer and knowledge sharing"

Introduction on the knowledge reason

We cannot be the World's Local Brewer© unless we are good at being local. What does this mean exactly? After all, locals are good at being local. Yet we expect to take a local business and improve it, even transform it. That is because we have a local-plus approach. Local insight plus. Local cultural sensitivity plus. Local relationships plus. The plus is what makes the difference. Our worldwide expertise is the plus.

When a brewery joins the Interbrew family it is no longer alone, there are all these extra pairs of hands. We have shown we are good at making an immediate impact, setting the brewery on a higher growth path. Year by year we are going deeper into skill transfer and knowledge sharing. This is the work of many thousands of individual acts. Each in itself may seem a small matter, but this is a story about cumulation.

One year we institute workshops, and colleagues from different countries meet properly for the first time. A year and several workshops later, there is recognition and familiarity. Come the next year, there is real friendship and ease in the relationship, and it is automatic to lift the phone. That is when knowledge transfer really works, when colleagues across the world are effortlessly in touch.

Knowledge management

Knowledge management allows us to potentially deliver best practice without increasing the corporate overhead. It is the best tool we have as we work towards our goal of outperforming the strongest local competitor. We have some way to go, and do not underestimate the difficulty of matching up to the best, wherever we find it. But if another brewer's team can reach that standard of excellence, so can ours.

We continued to build our network of workshops permeating the organisation, on subjects from engineering to energy. International meetings were driven deeper into the organisation. Central Europe made teamwork the subject for its second senior management convention, and regular gatherings were initiated for the top 230 technical people around the world. We see knowledge management as a moving target, since our knowledge constantly grows. Year by year, innovation adds to the bank of resources available throughout the group.

Skill transfer

The profit potential of pushing up the efficiencies of developing market breweries to the mature-market average is enormous. This is not a matter of one major project, but a multitude of small projects. One theme in this work is the application of world class manufacturing techniques to optimise capacity without significant capital expenditure. Some of the results in 2001 were substantial. Capacity in Klin near Moscow was increased by 20%, saving 3.5m euro. In Zagreb capacity was increased from 165,000 to 200,000 hectolitres a month. Additional fermenting capacity of 1.7m hectolitres was generated in Canada, which allowed an investment of 30m euro to be deferred. In Russia process optimisation deferred 15m euro of capital expenditure, while in Ukraine ongoing work will raise capacity by 500,000 hectolitres.

Other projects focused on SAP, utilities usage, recipe optimisation, environmental management and interactive training. We carried out six projects to raise production line efficiency, following the success of the four we completed in 2000. Those 10 projects had an average hit rate in terms of productivity improvement of around 30%. Estimated recurrent savings on direct labour and energy totalled 0.9m euro. The extra capacity gained via the productivity route was 1.3m hectolitres, equivalent to 15m euro of capital expenditure on bottling lines. Our targets go beyond operational efficiency and cost savings. They seek to extend the life of our assets, thus improving return. Accordingly a maintenance excellence programme, involving both predictive and preventative techniques, was initiated in Croatia and North America.

Ways of using our global resources

Last year we set up a global procurement department, to systematise and increase our purchasing resources. Immediate results include savings of 15m euro in materials costs. Indirect spends, such as travel, capital investment, IT equipment, and third party services, are now being addressed. A brands and sponsorship initiative brought together the Interbrew people with insights into the links between beer and sport. As with other aspects of marketing, first we code what we know, then we make it available to other countries.
The switch we made to international accounting standards required extensive training for hundreds of our accountants. Alongside outside experts, those more familiar with IAS passed on their knowledge to those less familiar, to spread expertise through the whole organisation.

It is not easy to multiply the value of a good idea. We all know the feelings of ownership that prevent people taking up another colleague's brainwave or invention. So all credit to those who cut through the ego barrier. Last year Holland and France adopted the Belgian programme which mobilised the energy of people through performance ethics, while Belgium adopted the sales training programme pioneered in the UK.

The knowledge reason

"We commissioned an independent survey of the top 400 to help us focus on the right things"

People development

Talent moved up our agenda. A raft of changes, large and small, was introduced. A new system of organisational and people reviews was put in place to integrate succession planning for the top 50 management positions. At the next level, we instituted a common system of performance management for the top 350 employees. Across the board minimum standards were established for how all our people are appointed, developed, recognised and rewarded. We drew on the experiences and knowhow of a team from Canada, Hungary, Korea, the UK, Russia and Belgium to identify and make plain to everybody the competencies that really matter to the company.

What do employees think of all this? We want to improve employee satisfaction, so we commissioned an independent survey of the top 400 to help us focus on the right things. It ought to be no surprise, in view of the excellent results Interbrew achieves which can come from no other source but our employees, that we found a high level of commitment, and an above average intention to stay with the company. Not everything was rosy. Where action was needed, plans were agreed.

Like our brewery staff, and everybody else in the company, our human resources people are charged with achieving continuous improvement in the way they operate. Initiatives last year included links to MBA programmes in Europe and the US, a new HR intranet site and corporate jobsite, a new stream of the global leadership programme for young people of high potential, and the circulation of monthly HR reports from each country, to spread news of who's doing what, and encourage good ideas to ripple across the company.

Looking ahead

How much further can we go, in improving the way we operate? We do not have the problem that athletes have. They operate so close to the limits of human performance than breaking any sports record is dogged by injury. By comparison, the beer industry is still on the lower slopes of attainment. The expertise of Interbrew is formidable, but we certainly don't know everything. Even in the mature markets of Western Europe, we have found that Leuven can learn from the UK, and the UK can learn from Leuven. Businesses considered highly efficient are nowhere near the top of their potential. And for many breweries in emerging markets, the limits are out of sight. Just to get all our breweries up to the average standard would bring enormous benefits. As best practice transfer makes local sites technically self-sufficient, all kinds of opportunities will bubble to the surface. As marketing knowhow seeps into every nook and cranny of Interbrew, we will hold more compelling conversations with consumers. We have everything to go for, in pulling together the wonderful expertise that exists within the Interbrew family. If we manage to do it, the company can soar.

The outlook is certainly positive. We expect to continue growing our volumes. Price/mix improvements will also be realised in most of our markets. As a result, we reiterate our financial objectives, which were first stated on the publication of our half year results for 2001. Irrespective of scope changes and acquisition activity, our growth target for earnings per share before goodwill amortisation is an increase which reaches an annual average over the period 2001 to 2004 in double digits.

FINANCIAL REPORT

Financial report

Management Report of the Board of Directors to the Shareholders

Introduction

The following management report should be read in conjunction with our audited consolidated and statutory (non-consolidated) financial statements and the related notes. The discussion and analysis covers two areas – first, the consolidated financial statements of the Interbrew Group, and second the statutory annual accounts of Interbrew SA/NV.

Management Report on the consolidated financial statements of the Interbrew Group.

This year, for the first time, the consolidated financial statements have been prepared according to International Accounting Standards (IAS). The translation to IAS was also carried out on last year's figures, to obtain comparable figures over two years. This translation explains any variances between figures for 2000 given here and those disclosed in the Management Discussion & Analysis section of the 2000 annual report.

MAIN TRANSACTIONS FROM 2000 THROUGH 2001, HIGHLIGHTING CHANGES IN SCOPE

A number of acquisitions, divestitures and joint ventures affected our results of operations and financial condition over the past two years.

TRANSACTIONS 2000

	Date	Accounting treatment
Acquisition of Whitbread in UK	May 2000	Consolidated as of June 2000
Acquisition of Bass in UK	August 2000	Consolidated as of September 2000
Acquisition of Rogan in Russia	December 2000	Consolidated as of December 2000
Sale of equity stake in Blue Jays in Canada	December 2000	Asset held for sale

TRANSACTIONS 2001

Increased stake in Luxembourg
In May 2001, the group paid 13.9 million euro to raise its stake in the Luxembourg holding BM Invest from 31% to 50%. As Interbrew already exercised control and fully consolidated this stake, the transaction did not impact the accounting treatment.

Increased stake in Romania
In view of their proposed merger, Interbrew increased its stake in its three existing legal entities in Romania, and now holds 95.9% of Proberco, 97.3% of CDN, and 70.7% of BIB.

Option purchase for a 5% stakeholding in Korea
In June 2001, the group purchased an option to buy, as of 2006, a 5% additional stake in our Korean affiliate, Oriental Breweries. The option is considered a derivative, and is reflected as a long term prepayment in the balance sheet.

Acquisition of Diebels in Germany
In July 2001, Interbrew purchased 80% of the Diebels brewery in Germany, whose major brand is Diebels Alt. The brewery produced and sold 1.5 million hectoliters in 2000. The closing of the acquisition deal was finalised on 31 August 2001 and consequently results were consolidated as from September 2001.

Acquisition of Brauerei Beck in Germany
In August 2001, the company announced a purchase agreement for the Beck & Co brewery in Bremen, conditional on the agreement of shareholders and approval of the competition authorities. The brewery's main brand is the international premium lager Beck's, and total volumes in 2000 amounted to 8.7 million hectoliters. As the transaction did not close until 1 February 2002, Beck & Co was not consolidated in the 2001 accounts.

Sale of Carling Brewers in the UK

In December 2001, Interbrew agreed to sell Carling Brewers to the Adolph Coors Company. Carling is fully consolidated in the 2001 accounts, as completion of the sale is subject to the approval of the UK competition authorities, as required by the Secretary of State for Trade and Industry decision of 18 September 2001. The sale had its origins in the initial decision of the Secretary of State on 3 January 2001, which vetoed Interbrew's proposed merger of the UK brewing operations of Bass Brewers and the Whitbread Beer Company, and required the company to divest the UK beer business of Bass Brewers. On 2 February 2001, Interbrew applied in the UK for a judicial review of this decision in the High Court of Justice. In May 2001, the High Court decided in favour of Interbrew, and asked for a review of the decision. Public consultation on several remedies was carried out by the Office of Fair Trading (OFT). In September 2001, the UK Secretary of State endorsed the remedy which included the sale of Carling Brewers. Under this resolution Interbrew retained Bass Brewers' businesses in Scotland and Northern Ireland, as well as the global rights to the brands Bass Ale and Tennent's, and the subsidiary in Italy. Not at issue was the Prague Brewery (which produces Staropramen) which had already been integrated into the Interbrew family.

MATURE MARKETS AND EMERGING MARKETS

The businesses we acquire in the emerging markets typically have a lower net turnover per hectoliter and lower operating margins. The ratio of volume in mature and emerging markets is, respectively, 57% and 43% in 2000, and 61% and 39% in 2001. The emerging market figures include 30% of the Mexican FEMSA volumes, in line with our stake.

IMPACT OF FOREIGN CURRENCIES

Foreign currency exchange rates have a significant impact on both our financial condition and results of operations. The most significant foreign currencies for us are the Canadian dollar, the US dollar, the South Korean won, the pound sterling and the Mexican peso. In 2001, turnover in these currencies contributed to our net turnover as follows: Canadian dollars 17.3%, US dollars 7.8%, South Korean won 7.0%, and pounds sterling 38.9%.

On 2001 operating profit, we realize a negative currency impact of (13.8) million euro, of which (9.0) million euro is due to the won – euro evolution. Currency impacts on our net results of operations are generally mitigated by the fact that we incur the substantial majority of our operating expenses in the countries concerned and generally obtain financing in local currency. As a result of our large minority interest in FEMSA Cerveza, Mexican peso-denominated earnings accounted for 9.9% of our net profit (share of the Group) from ordinary activities in 2001.

SELECTED FINANCIAL FIGURES

We calculate "net turnover" as turnover less excise taxes. It forms the largest component of operating revenue. In many jurisdictions, excise taxes make up a large proportion of the cost of beer charged to our customers.

The table below sets out the components of our operating income and our operating expenses, as well as certain other data.

	Year ended 31 December 2000	2001
	(in million euro)	
Net turnover	5,656.6	7,302.8
Other (1)	(18.6)	(15.6)
Other operating income	237.4	215.2
Operating income	**5,875.4**	**7,502.4**
Operating expenses	5,342.2	6,618.4
Raw material, consumables and goods for sale (excluding excise taxes)	1,937.8	2,428.8
Services and other goods	1,542.2	2,038.2
Payroll and benefits	1,010.0	1,264.3
Depreciation and amortisation	544.0	569.5
Other (2)	308.2	317.6
Operating profit	**533.2**	**884.0**
Other data:		
EBITDA	1,156.0	1,533.3
ROIC (3)	11.4%	11.4%

(1) Consists of increase (decrease) in inventory of finished goods, work and contracts in progress and operating expenses capitalized to capital assets.
(2) Consists of increase (decrease) in provisions, other operating expenses and amortisation/impairment of goodwill.
(3) Operating profit (EBIT) on invested capital including goodwill.

The table below sets out the key income statement items as a percentage of operating income.

	Year ended 31 December 2000	2001
	(in %)	
Operating income	100.0	100.0
Operating expenses	90.9	88.2
Raw material, consumables and goods for sale (excluding excise taxes)	33.0	32.4
Services and other goods	26.2	27.2
Payroll and benefits	17.2	16.9
Depreciation and amortization (including amortization of goodwill)	10.6	8.7
Operating profit	**9.1***	**11.8**
Profit before tax	5.5	10.4
Net profit & loss from ordinary activities	4.6	7.2

* Before IAS exceptional charges 2000: 10.7%

FINANCIAL PERFORMANCE OF THE GROUP

OPERATING INCOME

Our net turnover increased by 1,646.2 million euro, or 29.1%, from 5,656.6 million euro in 2000 to 7,302.8 million euro in 2001. Of this increase, 1,248.3 million euro is attributable to businesses acquired in 2001, or the impact of including the full 12 months of operations for businesses acquired in 2000. Further, (104.6) million euro is attributable to fluctuations in foreign exchange rates, and 502.5 million euro, or 8.9%, to internal growth arising from increased volume and prices, the latter coming from all zones, mature and emerging.

OPERATING EXPENSES

Operating expenses (excluding excise taxes) increased by 1,276.2 million euro, or 23.9%, from 5,342.2 million euro (90.9% of operating income) in 2000 to 6,618.4 million euro (88.2%) in 2001. Raw materials and consumables as a percentage of operating income decreased from 33.0% in 2000 to 32.4% in 2001. As a percentage of operating income, marketing expenses increased, whereas other operating services and goods fell. Payroll and benefits continued to drop as a percentage of operating income. Depreciation and amortization as a percentage of operating income decreased as a result of the inclusion of the UK businesses and the effect of the extraordinary reduction in asset value, booked in 2000. The lower depreciation in the UK more than offset the higher depreciation charges in the emerging markets, especially in Eastern Europe.

EBITDA (Operating profit before depreciation and amortisation)

Operating profit before depreciation and amortisation increased by 377.3 million euro or 32.6%, from 1,156.0 million euro (19.7% of operating income) to 1,533.3 million euro (20.5% of operating income). Of this increase, 248.2 million euro is attributable to businesses acquired in 2001, or the impact of including the full 12 months of operations for businesses acquired in 2000. Further, (25.3) million euro is attributable to fluctuations in foreign exchange rates, and 154.4 million euro, or 13.4%, to internal growth. This growth is impacted by the reclassification in 2000 of extraordinary items in EBITDA for an amount of (20.2) million euro. Without the IAS adjustments (including this reclassification), internal growth would amount to 126.1 million euro, or 10.5%.

OPERATING PROFIT

Operating profit increased by 350.8 million euro, or 65.8%, from 533.2 million euro (9.1% of operating income) in 2000, to 884.0 million euro (11.8% of operating income) in 2001. Of this increase, 101.0 million euro is attributable to businesses acquired in 2001, or the impact of including the full 12 months of operations for businesses acquired in 2000. Further, (13.8) million euro is attributable to fluctuations in foreign exchange rates and 263.5 million euro, or 49.4%, to internal growth. This growth is also impacted by the 2000 IAS adjustments, including the (20.2) million euro on EBITDA and the extraordinary depreciation due to an impairment adjustment in Korea and China for an amount of (74.2) million euro. Excluding the IAS adjustments, internal growth amounts to 172.4 million euro, or 26.8%.

NET FINANCIAL INCOME (expenses)

The net financial income (expenses) was (176.0) million euro in 2001 as compared to the (258.9) million euro in 2000. The main reason for the reduced net financial expense is the full impact in 2001 of the proceeds of the IPO realised in late 2000. The IPO resulted in the reduction of the net financial debt of the group.

INCOME TAXES

Income taxes on ordinary profit (current and deferred) were 75 million euro in 2000, or 27.3% of the ordinary profit of the year before income taxes, equity income and minority income, and 180 million euro in 2001, or 25.3% of the ordinary profit of the year before income taxes, equity income and minority income. The 2001 tax rate on the ordinary profit of the year before income taxes, equity income and minority income is 29.7% when we exclude the recognition of deferred tax assets on tax losses in the Czech Republic, and the effect of the tax rate decrease in Russia from 35% to 24%.

SHARE IN RESULT OF ASSOCIATED COMPANIES

Our share in the results of the associated companies was 50.4 million euro in 2000 and 67.3 million euro in 2001. FEMSA Cerveza represents the main share of the equity pick-up. In 2001 FEMSA delivered stable net results and operating results compared to 2000. For 2000 and 2001, our share in the result of associated companies also includes our minority positions in TradeTeam (49%) and Grolsch UK (49%), acquired via the Bass deal.

EXTRAORDINARY INCOME (expenses)

Under IAS, most items considered as extraordinary results according to Belgian GAAP, are classified as operating income or expense. However, the goodwill impairment for (1,234.7) million euro recorded in 2000 with respect to Bass goodwill continues to be considered as extraordinary under IAS. In 2001, due to the OFT decision, a reversal of 360.0 million euro occurred, partially offset by (198.8) million euro deal costs.

NET PROFIT/LOSS (share of Group)

Net profit (share of Group) of ordinary activities increased from 270.5 million euro in 2000 to 536.8 million euro in 2001. The minority interest moved from 20.5 million euro in 2000 to (58.7) million euro in 2001. This results from the better operating results in Russia and Korea, and from the deferred tax bookings in Korea.

OPERATING ACTIVITIES BY ZONE

The table on the next page shows our total worldwide sales volumes by zone and country. Volumes include small amounts of beverages other than beer. Total volumes include not only brands that we own or license, but also third party brands that we brew as a subcontractor and third party products that we sell through our distribution network, particularly in Western Europe. Volumes for Western Europe also include exports to countries where we do not operate breweries, as well as Interbrew brands brewed by third parties under license.

We also show our pro rata share of volume brewed by our Mexican company, not including Mexican beer imported and sold in Canada and the United States by Labatt and Labatt USA.

INTERBREW WORLDWIDE SALES VOLUME (HECTOLITERS IN MILLIONS)

	2000	2001
Western Europe (1)	**23.1**	**27.2**
United Kingdom	8.3	10.9
Belgium	6.5	6.4
Netherlands	2.6	2.7
France	2.7	2.7
Luxembourg	0.3	0.3
Germany	–	0.5
Licenses	0.4	0.3
Export	2.3	3.4
North America	**14.2**	**14.6**
Canada	9.0	9.1
USA	4.6	4.8
Cuba	0.6	0.7
Emerging Markets	**26.0**	**31.3**
Central Europe	8.0	10.0
Hungary	2.1	2.2
Bulgaria	1.4	1.3
Croatia	1.6	1.7
Romania	1.4	1.5
Montenegro	0.6	0.6
Bosnia	0.1	0.1
Czech Republic	0.8	2.6
Eastern Europe	9.9	12.9
Russia	7.9	7.9
Ukraine	2.0	5.0
Australasia	8.1	8.4
South Korea	7.7	8.0
China	0.4	0.4
Total (excluding Mexico & Bass)	**63.3**	**73.1**
Mexico	6.6	6.7
Total excluding Bass	**69.9**	**79.8**
Bass	6.5	17.1
TOTAL	**76.4**	**96.9**

(1) Includes Subcontracting/Commercial Products: 5.1 million Hl in 2000; 6.5 million Hl in 2001

We discuss below net turnover, EBITDA and operating profit for our operations in North America, Western Europe, Bass and the Emerging Markets for the period 2000 - 2001. The amounts presented and discussed below do not reflect the operations of holding companies and of our global export business. For 2001, this export business includes the export business of the Bass brands, which we acquired in 2000. For the years 2000 and 2001, holding companies & global export accounted for (29.8) million euro and 14.0 million euro in EBITDA, respectively and (108.3) million euro and 9.2 million euro in operating profit respectively.

The figures presented are according to IAS. The major IAS adjustments of 2000, referred to above, are allocated to the holding companies in order not to impact the comparative analysis on operational results of the zone. Additionally, the implementation of a new Interbrew service fee and royalty system results in variances in EBITDA and operating result when comparing 2001 to 2000. We considered this impact on zone level as scope variance so that it does not impact the organic growth figures shown below.

NORTH AMERICA

The following table shows key financial statistics for North America for the past two years.

	2000	2001	Change 2000/2001
Net turnover	1,689.3	1,830.3	8.3%
EBITDA	406.9	429.3	5.5%
Operating profit	274.3	312.3	13.8%
ROIC (*)	13.5%	15.4%	188 bp
ROIC (excluding FEMSA stake)	20.6%	25.8%	521 bp

* North America's ROIC includes the invested capital for the minority stake in FEMSA, but does not include the share in the related operating profit.

The net turnover increases by 141.0 million euro, notwithstanding a decrease of (16.1) million euro attributable to changes in foreign exchange rates, due to the strengthening of the euro versus the Canadian dollar. The net increase of 157.1 million euro is thus fully attributable to internal growth, mainly fuelled by volume growth in US, and price increases in Canada and the US.

Of the 37.9 million euro increase in operating profit, 49.5 million euro is attributable to internal growth fuelled by volume and price increases, partly reinvested in the markets as marketing support to the brands. Changes in foreign exchange rates decreased the operating profit by (2.9) million euro and the impact of change in service fee is (8.7) million euro.

WESTERN EUROPE

The following table shows key financial statistics for Western Europe for the past two years. Western Europe includes the results of our business in the UK via Interbrew UK, formerly called Whitbread. The results of the Bass business in the UK are shown separately in the next section.

	2000	2001	Change 2000/2001
Net turnover	2,130.7	2,504.4	17.5%
EBITDA	381.1	412.6	8.3%
Operating profit	209.2	224.0	7.1%
ROIC	14.8%	20.5%	569 bp

The 373.7 million euro increase in net turnover is mainly attributable to the impact of a full year Interbrew UK and partially to volume and price increases, especially in the Netherlands and UK.

The 14.8 million euro increase in operating profit includes a negative currency impact of (0.6) million euro and a scope variance of (62.0) million euro. This scope variance is the combined effect of the 12 month inclusion of Interbrew UK business in 2001 and the change in Group service fees & royalty agreements. The remaining variance of 77.4 million euro represents the organic growth, being 37.0%. This is however impacted by the reclassification under IAS of a non-recurring increase in provisions booked in 2000, for an amount 9.2 million euro, which gives rise to an organic growth of 68.2 million euro or 32.6%.

BASS

The following table shows key financial statistics for the UK Bass businesses acquired in 2000.

	2000	2001	Change 2000/2001
Net turnover	694.9	1,541.3	121.8%
EBITDA	116.9	339.9	190.8%
Operating profit	51.1	176.3	245.0%
ROIC	3.9%	6.5%	263 bp

These figures cover the Bass business for 4 months in 2000 and for 12 months in 2001. The increase on the different performance levels is thus split in scope evolution for a period of 8 months and internal growth for the last 4 months 2001 versus same period in 2000.

The net turnover increases by 846.4 million euro, of which 746.9 million euro is attributable to scope change, hence internal growth accounts for 113.7 million euro or 16.4%. The latter is especially thanks to a strong last quarter sales in 2001. Changes in foreign currencies decreased sales by (14.2) million euro as the pound sterling weakened versus the euro.

The operating profit increases by 125.2 million euro, attributable to scope changes of 74.7 million euro and to internal growth for 52.2 million euro or 102.2%. The above mentioned sales growth is due to improved margins and strong overhead costs management resulting in improved operating results. Brand support remained in 2001 on the same level as 2000. Changes in foreign currencies decreased the operating profit by (1.7) million euro.

EMERGING MARKETS

The following table shows key financial statistics for the emerging markets for each of the past two years.

	2000	2001	Change 2000/2001
Net turnover	1,141.7	1,310.6	14.8%
EBITDA	280.8	337.5	20.2%
Operating profit	106.9	162.2	51.7%
ROIC	6.1%	9.0%	290 bp

Of the 168.9 million euro increase in net turnover, 94.8 million euro is attributable to businesses acquired in 2001, or the impact of including the 12 months of operation for businesses acquired in 2000. A further 129.3 million euro is attributable to internal growth, thanks to both volume and price increases. Changes in foreign currencies decreased sales by 55.2 million euro due to the weakened Korean won against the euro. In 2001, we consolidated the full year of Czech business, acquired in August 2000, as well as the Rogan business in Ukraine acquired in December 2000.

The 55.3 million euro increase in operating profit is attributable as follows: (7.2) million euro to new businesses acquired in 2000, (8.0) million euro to changes in foreign exchange rates, and 70.5 million euro to internal growth. The Eastern European and Australasian markets enjoyed substantial volume and value increase.

DETAIL OF EMERGING MARKETS

Central Europe

The following table shows key financial statistics for Central Europe for each of the past two years.

	2000	2001	Change 2000/2001
Net turnover	320.2	396.2	23.7%
EBITDA	86.2	104.6	21.4%
Operating profit	57.6	70.4	22.3%

Net turnover increased by 76.0 million euro, or 23.7%, from 320.2 million euro in 2000 to 396.2 million euro in 2001. An increase of 52.3 million euro is attributable to the new business acquired in the Czech Republic. Currency gains were 2.9 million euro and organic growth (volume and price increases) pushed net turnover expressed in euro up by 20.8 million, or 6.5%.

Operating profit grew by 12.8 million euro, or 22.3%, from 57.6 million euro in 2000 to 70.4 million euro in 2001. This increase results from a currency impact of 1.0 million euro, a scope impact of (7.7) million euro and an organic growth of 19.5 million euro, or 33.9%. The organic growth was partially contributed by the new Czech business and by the other countries where we were already present. The latter mainly realized in Croatia and Hungary with strong sales resulting in share gain and improved profitability.

Eastern Europe

The following table shows key financial statistics for Eastern Europe for each of the past two years.

	2000	2001	Change 2000/2001
Net turnover	283.0	393.1	38.9%
EBITDA	62.3	96.1	54.2%
Operating profit	22.6	34.3	51.8%

Net turnover increased by 110.1 million euro from 283.0 million euro in 2000 to 393.1 million euro in 2001. Of this increase, 42.5 million euro is attributable to new businesses acquired, or the impact of including the full 12 months for operations acquired in 2000. A further 67.6 million euro, or 23.9%, is attributable to internal growth mainly driven by volume and price increases above the level of inflation required to reposition our brands as mainstream lagers.

Operating profit increased by 11.7 million euro from 22.6 million euro in 2000 to 34.3 million euro in 2001. Of this increase, (0.4) million euro is attributable to scope changes. 12.1 million euro or 53.8% is organic growth.

Australasia

The following table shows key financial statistics for Australasia for each of the past two years.

	2000	2001	Change 2000/2001
Net turnover	538.5	521.3	(3.2)%
EBITDA	132.3	136.8	3.4%
Operating profit	26.7	57.5	115.3%

Net turnover decreased by (17.2) million euro from 538.5 million euro in 2000 to 521.3 million euro in 2001. Changes in foreign exchange rates (mainly the negative evolution of the won versus the euro) decreased net turnover by (58.1) million euro. An increase of 40.9 million euro, or 7.6%, is attributable to organic growth. In Korea, for the third consecutive year, prices were increased (in combination with lower excise duties). This resulted in an organic 43.5 million euro net turnover increase. In China, net turnover decreased by (2.6) million euro organically as a result of volume loss and competitive pricing.

Operating profit increased by 30.8 million euro, from 26.7 million euro in 2000 to 57.5 million euro in 2001. Of this increase, (9.0) million euro is currency impact, and 38.9 million euro, or 145.6%, is attributable to organic growth. This strong growth is the combined result of volume growth, price increase and cost management.

LIQUIDITY POSITION AND CAPITAL RESOURCES OF THE GROUP

We have generally funded our working capital and capital expenditure needs from our operations. From time to time, however, we have financed major acquisitions with loans from banks. Our expansion in emerging markets typically involved not only the acquisition of brewing assets and creation of joint ventures with local partners, but also substantial planned capital expenditures targeted at improving product quality and increasing capacity. Cash flows from operations in mature markets has generally enabled us to fund these capital expenditures in Emerging markets.

CASH FLOWS

Our operating cash flow amounted to 871 million euro in 2000 and 1,053 million euro 2001. The increase of 182 million euro is mainly attributable to the growth in results before depreciation and amortization, and before the non-cash gain on disposal of capital assets and investments and the movements in deferred taxes. The cash used in investment activities ((5,132) million euro in 2000 and (640) million euro in 2001) includes acquisition of investments (Bass, Whitbread and Rogan) and capital assets, and increase in term deposits. The financing activities for 2000 were significantly influenced by the IPO proceeds and the increased debt to finance the acquisitions. The impact of the IPO proceeds in 2001 resulted in a reduction of net financial expenses.

CAPITAL EXPENDITURES AND ACQUISITIONS

Capital expenditures represent the acquisition of specific assets which are intended to be used either directly in the brewing or distribution process or in an administrative or supportive role. Investments consist of acquisitions of all or part of another business.

We spent 487.0 million euro in 2000 and 559.0 million euro in 2001 on acquiring capital assets. The increase is mainly due to the impact of full year inclusion of businesses acquired in 2000. The investment in the Eastern European region was in line with 2000. Out of the total capital expenditures, approximately 56% was used to improve our production facilities and/or the purchase of returnable packaging; while 30% was used for logistics and commercial investments reflecting mainly investment in our primary and secondary logistic facilities and outlet material for the on trade business. Finally, 14% was used for improving administrative capabilities and purchase of hardware and software, especially to develop further the worldwide network.

We spent 4,511.2 million euro in 2000 and 191.3 million euro in 2001 on acquiring businesses. Our principal investments in 2000 included Whitbread and Bass in the UK and Rogan in Ukraine. Our principal investments in 2001 include Diebels in Germany and the option for an increased share in Korea.

CAPITAL RESOURCES

Our net debt (long- and short-term debt, cash and deposits) as at 31 December 2001 was 2,661.7 million euro as compared with a 2000 net debt of 2,906 million euro. The main reason for the reduced debt base is the repayment of some of the UK debt from the proceeds of the IPO received at the end of 2000. Furthermore, there are the normal repayments on the existing loans.

EQUITY

The consolidated equity (share of the Group) amounts to 4,818 million euro or, an increase of 752 million euro versus 2000. Equity was mainly increased by the net result (share of the Group) and the Employee Share Purchase Plan.

Managing market risk

The principal categories of market risk we face are changes in interest rates, foreign exchange and commodity prices. Our risk management committee, which consists of our Chief Financial Officer, the Chief Planning & Performance Officer, our Internal Audit Director and other senior corporate officers from Treasury, Procurement and Controlling, meets at least semi-annually and is responsible for reviewing the results of our risk assessment, approving recommended risk management strategies, monitoring compliance with our risk management policy and reporting to the audit committee. Our risk management committee also sets policy for our balance sheet structure and the investment of our short-term liquid funds.
Please refer to note 28 of the consolidated financial statements for more information.

Management Report on the statutory (non-consolidated) Annual Accounts of Interbrew SA/NV

The corporate objective of Interbrew S.A. is to manage and control the companies of the Group.

Comments on the statutory annual accounts

COMMENTS ON THE BALANCE SHEET

INTANGIBLE FIXED ASSETS
There were no additions during the year.

TANGIBLE FIXED ASSETS
The net decrease of the tangible fixed assets is the result of the yearly depreciation of furniture and vehicles.

FINANCIAL FIXED ASSETS
The increase of the financial fixed assets is the result of several transactions that took place in the course of the year:
- subscription of 166,144 Cobrew shares through capital increases on 12 January 2001 and 31 May 2001;
- purchase of 5,500 B.M. Investment shares on 12 June 2001;
- purchase of 27,000 Interbrew Belgium shares from Immobrew N.V. on 17 December 2001;
- split of 1,284 Brasserie de Luxembourg-Diekirch shares into 1,284 Brasserie de Luxembourg shares and 1,284 M Immobilier shares on 12 June 2001;
- several purchases of Immobrew shares at an exchange counterpart of 4.16 during the months of September, October and December 2001.

RECEIVABLES DUE AFTER ONE YEAR
Other receivables decreased by 19.7 million euro mainly following the repayment of group loans.

RECEIVABLES DUE WITHIN ONE YEAR
Trade receivables increased by 26.2 million euro mainly by invoicing of service fees to our subsidiaries.

Other receivables decreased by 306.7 million euro mainly as a result of the repayment of a loan granted to Cobrew N.V. for an amount of 317.5 million euro.

CAPITAL AND RESERVES
The net increase of capital and reserves originates from 3 kinds of changes:
- 13 capital increases for a total amount of 2.866 million euro increasing the number of outstanding shares to 431,125,962. Additionally, the share premium account increased by 13.911 million euro;
- the result of the year, and
- the payment of a dividend.

FINANCIAL DEBT PAYABLE AFTER ONE YEAR
Financial debt payable after one year decreased following the repayment of a group loan for an amount of 5.5 million euro and following a partial repayment of loans from credit institutions for an amount of 7,3 million euro.

AMOUNTS PAYABLE WITHIN ONE YEAR
The increase in amounts payable within one year mainly results from an increase in the current account with Cobrew for an amount of 39.4 million euro.

COMMENTS ON THE INCOME STATEMENT

The result of the year 2001 is a profit after taxes of 133.952 million euro, versus a loss after taxes of 113.985 million euro in 2000.

The implementation of a new group costing method results in an increase of the turnover for an amount of 83.6 million euro.

The increase in operating expenses by 70.6 million euro results from the costs of the recent acquisitions as well as the costs relating to the growing Group.

A significant part of the increase in financial income relates to the dividends received from affiliated companies for an amount of 125.0 million euro.

Subsequent Events

We refer to note 33 of the Consolidated Financial Statements.

Research and Development

Innovation was achieved in the areas of process optimization, especially as it pertains to capacity, new product developments and packaging initiatives primarily in Eastern and Central Europe. In 2001, we invested 7.6 million euro in research and development compared to 6.6 million euro in 2000. Our research and development centers are located at headquarters in Leuven, Belgium and breweries in Canada, the United Kingdom and South Korea.

Knowledge management and learning is also an integral part of research and development and thus a lot of value is placed on collaborations with universities, outside institutes and other industries to continuously enhance our knowledge.

Issuance of subscription rights – Long Term Incentive Program

Further to the authorization given by the General Shareholders' Meeting of 24 June 1999 to the Board of Directors in order to increase the corporate capital of the company by means of the authorized capital, the Board decided on 13 March, 23 April, 4 September and 11 December 2001:

- to suppress the preferential subscription right for the benefit of key management employees of the company or of its subsidiaries, to be determined by the "Human Resources and Nominating Committee" or by the "Chief Executive Officer", and (Board decisions of 23 April and 11 December 2001) for the benefit of the independent directors of the Company;
- to issue for the benefit of those same key management employees 1,092,315 subscription rights for a price of 30.23 euro per subscription right (decision of 13 March 2001), 266,400 subscription rights for a price of 29.74 euro (decision of 23 April 2001), 51,320 subscription rights for a price of 28.70 euro (decision of 4 September 2001) and 1,703,357 subscription rights for a price of 28.87 euro (decision of 11 December 2001), and
- to issue for the benefit of the independent directors of the Company 56,700 subscription rights for a price of 29.74 euro per subscription right (decision of 23 April 2001) and 48,600 subscription rights for a price of 28.87 euro (decision of 11 December 2001).

The abovementioned numbers of subscription rights are the aggregate numbers accepted by the grantees. All are registered subscription rights.

Each subscription right gives the right to subscribe to one ordinary share of the Company.

The rights issued on 13 March, 24 April and 4 September 2001 may be exercised, in principle, as from 1 May 2005 until the tenth anniversary of their respective dates of issuance.

The rights issued on 11 December 2001 may be exercised as follows: a first third of the subscription rights may be exercised form 1 January 2003 to 10 December 2011. A second third may be exercised form 1 January 2004 to 10 December 2011. The last third may be exercised from 1 January 2005 to 10 December 2011.

The issues of rights described above are in accordance with the interest of the Company with a view to the development of its activities in the long run.

Considering the number of shares representing the capital, the issues of rights described above are relatively moderate and shall, in case of exercise of the subscription rights, only result in a limited dilution of the holding of the current shareholders. Hence, the suppression of the preferential subscription right has only a slight impact for the shareholders, among others, with regard to their share in the profits and proper funds.

Report on conflicts of interests (article 523 of the Company Code)

Pursuant to the Company Code, a director having a conflicting interest in a decision of the Board of Directors, is not allowed to attend the discussions and deliberations preceding the Board's decision, nor is he allowed to participate in the vote. Moreover, he must inform the auditor of the company about his conflicting interest.

During the year 2001, this procedure has been applied twice. Below is reported the content of the minutes with regard to these decisions of the Board, indicating the reasons for the conflicting interest, the nature of the decision, its justification and its patrimonial consequences for the company.

1. On the occasion of the decision of the Board of Directors of 23 April 2001 to issue subscription rights within the framework of the authorized capital for the benefit of management employees of the company or of its subsidiaries, as well as secondarily for the benefit of the independent directors of the company, Baron Paul de Keersmaeker declared, as a beneficiary of the subscription rights, he had a conflicting interest. Consequently he did not participate to the deliberations of the Board, nor to the vote. He declared that he informed the auditor about the aforementioned. After Baron Paul de Keersmaeker had left, the meeting continued under the presidency of Mr Arnoud de Pret Roose de Calesberg.

   Pursuant to article 523, paragraph 1, section 2 of the Company Code, the Chairman explains the following elements. Each subscription right gives the right to subscribe to a new ordinary share of the company for a price of 29.74 euro per subscription right. The subscription rights are offered within the Long Term Incentive plan of the company. The offer is principally reserved for management employees of the company and its subsidiaries and, secondarily, for directors of the company. The offer aims at lining up the interests of the shareholders and the interests of the management employees and, hence, at involving the latter more in the long term strategy of the company. It also aims at a greater loyalty due to the expiration of a certain period. Finally, and more particularly with regard to Baron Paul de Keersmaeker, it takes into consideration the services rendered to the company. The issue of a certain number of subscription rights for the benefit of independent directors of the company is made in accordance with previous offerings of subscription rights within the Long Term Incentive plan since 1999. A total of 56,700 subscription rights will be offered to this director at the occasion of the present issue.

   Considering the number of shares representing the capital, the issue of subscription rights for the benefit of directors is relatively moderate and shall, in case of exercise of the subscription rights, only result in a limited dilution of the holding of the current shareholders. Indeed, if all subscription rights the Board intends to issue today for the benefit of directors were exercised, the new shares that would result from this exercise would only represent a minimal percentage of the existing shares today. The issue could also entail a financial dilution for the shareholders, resulting from the difference between the exercise price of the subscription rights and the value of the share of the company at the moment of exercise. This financial dilution will in any case be limited, having regard to the number of subscription rights issued. Hence, this issue will only have a slight impact for the shareholders, among others, as regards their share in the profits and proper funds.

2. On the occasion of the decision of the Board of Directors of 11 December 2001 to issue subscription rights within the framework of the authorized capital for the benefit of management employees of the company or of its subsidiaries, as well as secondarily for the benefit of the independent directors of the company, Mr. Pierre Jean Everaert, Mr. Jean-Luc Dehaene, Mr. Allan Chapin, Mr. Harald Einsmann and Mr. Bernard Hanon declared, as beneficiaries of the subscription rights, they had a conflicting interest. Consequently they did not participate to the deliberations of the Board, nor to the vote. They declared that they informed the auditor about the aforementioned. Given the absence of Mr. Pierre Jean Everaert, Mr. Philippe de Spoelberch chaired the meeting.

Pursuant to article 523, paragraph 1, section 2 of the Company Code, the Chairman explains the following elements. Each subscription right gives the right to subscribe to a new ordinary share of the company for a price of 28.87 euro per subscription right. The subscription rights are offered within the Long Term Incentive plan of the company. The offer is principally reserved for management employees of the company and its subsidiaries and, secondarily, for directors of the company. The offer aims at lining up the interests of the shareholders and the interests of the management employees and, hence, at involving the latter more in the long term strategy of the company. It also aims at a greater loyalty due to the expiration of a certain period.

The issue of a certain number of subscription rights for the benefit of independent directors of the company is made in accordance with previous offerings of subscription rights within the Long Term Incentive plan since 1999. A total of 48,600 subscription rights will be offered to these directors at the occasion of the present issue.

Considering the number of shares representing the capital, the issue of subscription rights for the benefit of directors is relatively moderate and shall, in case of exercise of the subscription rights, only result in a limited dilution of the holding of the current shareholders. Indeed, if all subscription rights the Board intends to issue today for the benefit of directors were exercised, the new shares that would result from this exercise would only represent a minimal percentage of the existing shares today. The issue could also entail a financial dilution for the shareholders, resulting from the difference between the exercise price of the subscription rights and the value of the share of the company at the moment of exercise. This financial dilution will in any case be limited, having regard to the number of subscription rights issued. Hence, this issue will only have a slight impact for the shareholders, among others, as regards their share in the profits and proper funds.

Information on the Auditors' assignments and related fees

Our statutory auditor is KPMG Reviseurs d'Entreprises, represented by Erik Helsen, partner. Recurring audit fees are determined by the General Meeting of Shareholders after review and approval by the Company's Audit Committee and Board of Directors. Audit and other fees relating to the year 2001 in relation to services offered by KPMG on a worldwide basis amount to 8,439,000 euro, of which 7,379,000 euro is in relation to recurring audit work (3,047,000 euro) and other audit services (4,332,000 euro: mainly due diligence work and vendor due diligence work in the UK and in Germany), 258,000 euro to tax advice, 693,000 euro to IT consulting and 109,000 euro to other services. In its main countries KPMG already separated its audit and consultancy practice but we nevertheless include fees paid to KPMG consulting (or to KCI Inc. the consulting group created in the USA out of the former KPMG Consulting practice) in the period until separation also takes place in Belgium.

Discharge of the Directors and the Auditor

We recommend the approval of the financial statements as presented to you and, by special vote, the discharge of the Directors and the Auditor in respect of the execution of their mandate during the past accounting year.

Appropriation of Results

We propose to pay a gross dividend of 0.29 euro per share, or a total dividend distribution of 125,026,565.23 euro.
If approved, the net dividend of 0.22 euro per share will be payable as of 2 May 2002 against delivery of coupon number 2, attached to the company's new bearer shares or a net dividend of 0.25 euro per share when "VVPR strip" number 2 is additionally attached.

12 March 2002

Consolidated IAS financial statements and notes

Preliminary note: Information on Transition to International Accounting Standards ("IAS")

During 2001, Interbrew fulfilled its commitment of transitioning to IAS. Previously Interbrew reported in accordance with the requirements of Belgian accounting legislation which did not comply with all requirements of IAS. The 2001 consolidated financial statements have been prepared in accordance with IAS, and the comparative 2000 consolidated financial statements have been reworked to be in accordance with IAS.

During this year of transition, the consolidated financial statements reflect the following:

- For the 2000 Income Statement and Balance Sheet, the figures reported in last year's annual report are produced in the first column, followed by IAS restatements and reclassification columns, to arrive at the 2000 IAS figures.

- The 2000 Cash Flow Statement is presented in IAS format only, due to the impracticality of following the same presentation as described above for the Income Statement and Balance Sheet.

- The 2000 and 2001 Income Statements are presented "by nature" which is acceptable under IAS. The preferred IAS presentation is "by function" however it was impracticable to rework the 2000 Income Statement by function. Hence, in this year of transition, the 2001 Income Statement by function is included in the notes as additional information, and in 2002, by function will become the basis of presentation for Interbrew's consolidated financial statements.

Consolidated financial statements are presented for 2001 with comparatives for 2000, however comparatives for 1999 are not presented due to the impracticality of reworking 1999 figures in accordance with IAS.

Consolidated Income Statement

Expressed in million euro (except per share figures)

For the year ended 31 December	Note	2000 As reported	IAS Restatements	IAS Reclassi-fications	2000 IAS	2001 IAS
Turnover	2	8,000	–	(2,343) [1]	5,657	7,303
Changes in inventories of finished goods and work in progress		(19)	–	–	(19)	(16)
Other operating income	4	186	–	51	237	215
Operating income		**8,167**	**–**	**(2,292)**	**5,875**	**7,502**
Raw materials and consumables		4,281	–	(2,343) [1]	1,938	2,428
Services and other goods		1,542	1	–	1,543	2,038
Payroll and related benefits	6	1,010	–	–	1,010	1,264
Depreciation and amortisation		482	–	62	544	570
Inventory provisions and bad debt expense		23	(1)	–	22	23
Increase (decrease) in provisions		(30)	(1)	31	–	–
Amortisation/impairment of goodwill		72	–	7	79	80
Other operating expenses	5	143	–	63	206	215
Operating expenses		**7,523**	**(1)**	**(2,180)**	**5,342**	**6,618**
Operating profit (loss)		**644**	**1**	**(112)**	**533**	**884**
Financial income	7	292	–	(94)	198	181
Financial expenses	8	(585)	(3)	132	(456)	(357)
Share in result of associated Companies		59	(9)	–	50	67
Profit (loss) before tax		410	(11)	(74)	325	775
Income tax expense	9	16	47	12	75	179
Profit (loss) after tax		394	(58)	(86)	250	596
Minority interests		21	–	–	21	(59)
Net profit (loss) from ordinary activities		415	(58)	(86)	271	537
Extraordinary items	10	(1,325)	4	86	(1,235)	161
Net profit (loss) of the year		**(910)**	**(54)**	**(0)**	**(964)**	**698**
Basic earnings per share		(2.73)			(2.88)	1.63
Diluted earnings per share		(2.09)			(2.81)	1.61
Cash earnings per share (ordinary) [2]		1.21			1.04	1.44
Cash earnings per share (diluted) [3]		0.92			1.02	1.42

[1] Represents excise duties
[2] Net profit from ordinary activities plus amortisation/impairment of goodwill, divided by the average number of shares
[3] Net profit from ordinary activities plus amortisation/impairment of goodwill, divided by the fully diluted number of shares

Consolidated Statement of recognised gains and losses

For the year ended 31 December	Expressed in million euro 2000 IAS	2001 IAS
Foreign exchange translation differences	137	101
Cash flow hedges:		
Effective portion of the changes in fair value	–	(9)
Transferred to the income statement	–	1
Included in cost of recognised asset/liability	–	–
Other items recognised directly in equity	–	(1)
Net profit recognised directly in equity	137	92
Net profit/(loss) for the year	**(964)**	**698**
Total recognised gains and (losses)	(827)	790
Effect of changes in accounting policy	134	35

Consolidated Balance Sheet

Expressed in million euro

As at 31 December	Note	2000 As reported	IAS Restatements	IAS Reclassifications	2000 IAS	2001 IAS
ASSETS						
Non-current assets						
Property, Plant and Equipment	11	3,725	–	–	3,725	3,800
Goodwill	12	2,738	–	–	2,738	3,145
Intangible assets other than goodwill	13	59	(2)	–	57	114
Interest bearing loans granted		–	–	15	15	14
Investments in associates	14	629	50	–	679	784
Investment securities	15	–	–	168	168	196
Deferred tax assets	17	–	(13)	158	145	149
Employee benefits	25	–	–	252	252	310
Other financial assets		163	–	(163)	–	–
Long-term receivables	16	742	(1)	(315)	426	405
		8,056	34	115	8,205	8,917
Current assets						
Interest bearing loans granted		–	–	–	–	7
Investment securities	15	–	–	29	29	–
Inventories	18	452	37	–	489	556
Income tax receivable		–	–	31	31	76
Trade and other receivables	19	1,692	–	(1)	1,691	1,944
Prepayments and deferred expenses		143	–	(143)	–	–
Short-term investments		399	–	(399)	–	–
Cash and cash equivalents	20	417	–	368	785	401
		3,103	37	(115)	3,025	2,984
Total assets		**11,159**	**71**	**0**	**11,230**	**11,901**

Consolidated Balance Sheet (continued)

Expressed in million euro

As at 31 December	Note	2000 As reported	IAS Restate-ments	IAS Reclassifi-cations	2000 IAS	2001 IAS
EQUITY AND LIABILITIES						
Capital and reserves						
Issued capital	21	329	–	–	329	332
Share premium	21	3,195	–	–	3,195	3,209
Reserves	21	385	67	–	452	525
Retained Earnings	21	(14)	13	91	90	752
Deferred government grants		4	–	(4)	–	–
		3,899	80	87	4,066	4,818
Minority interest		416	(2)	–	414	497
Non-current liabilities						
Interest bearing loans and borrowings	24	2,753	–	–	2,753	2,006
Other long-term liabilities		172	–	(172)	–	–
Employee benefits	25	–	–	296	296	304
Pension and similar obligations		316	–	(316)	–	–
Deferred government grants		–	–	4	4	3
Trade and other payables		–	–	4	4	6
Provisions other than pensions and similar obligations	26	258	(27)	45	276	250
Deferred tax liabilities	17	230	21	(8)	243	276
		3,729	(6)	(147)	3,576	2,845
Current liabilities						
Current portion of long-term liabilities		835	–	(835)	–	–
Bank overdrafts		158	–	(36)	122	52
Interest bearing loans and borrowings	24	–	–	862	862	1,028
Income tax payables		–	–	100	100	131
Trade and other payables	27	896	–	1,193	2,089	2,510
Provisions current		–	–	1	1	20
Social and tax liabilities		846	–	(846)	–	–
Other payables		193	–	(193)	–	–
Accrued charges and deferred income		187	(1)	(186)	–	–
		3,115	(1)	60	3,174	3,741
Total liabilities		**11,159**	**71**	**0**	**11,230**	**11,901**

Consolidated Cash Flow Statement

For the year ended 31 December	Expressed in million euro 2000 IAS	2001 IAS
OPERATING ACTIVITIES		
Net profit from ordinary activities	271	537
Depreciation	451	550
Amortization	100	100
Write-offs on non-current and current assets	28	1
(Reversal of) Impairment losses	71	–
Foreign exchange losses/(gains)	9	(14)
Interest income	(29)	(38)
Investment income	(32)	(43)
Interest expense	267	218
Investment expense	–	32
Loss/(gain) on sale of plant and equipment	–	19
Loss/(gain) on sale of intangible assets	–	(5)
Deferred government grants	(1)	–
Income tax expense	75	179
Income from associates	(50)	(67)
Minority interests	(21)	59
Operating profit before changes in WC and provisions	1,139	1,528
Decrease/(Increase) in trade and other receivables	19	(138)
Decrease/(Increase) in inventories	(61)	(51)
Increase/(Decrease) in trade and other payables	89	105
Increase/(Decrease) in provisions	9	(95)
Cash generated from the operations	1,195	1,349
Interest paid	(251)	(211)
Interest received	20	33
Dividends received	24	34
Income tax paid/received	(117)	(145)
Cash flows before extraordinary activities	871	1,060
Extraordinary items, net of tax	–	(7)
CASH FLOW FROM OPERATING ACTIVITIES	**871**	**1,053**
INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	59	65
Proceeds from sale of intangible assets	3	7
Proceeds from sale of investments	205	34
Repayments of loans granted	–	4
Sale of subsidiary, net of cash disposed of	–	13
Acquisition of subsidiary, net of cash acquired	(4,445)	(148)
Acquisition of property, plant and equipment	(465)	(535)
Acquisition of intangible assets	(22)	(24)
Acquisition of other investments	(65)	(43)
Payments of loans granted	(402)	(13)
CASH FLOWS FROM INVESTING ACTIVITIES	**(5,132)**	**(640)**

Consolidated Cash Flow Statement (continued)

For the year ended 31 December	Expressed in million euro 2000 IAS	2001 IAS
FINANCING ACTIVITIES		
Proceeds from the issue of share capital	3,224	17
Proceeds from other borrowings	5,647	421
Proceeds from sale of treasury shares	143	–
Repayment of borrowings	(4,223)	(1,057)
Payment of finance lease liabilities	–	(7)
Payment of transaction costs	(117)	–
Dividends paid	(80)	(106)
CASH FLOWS FROM FINANCING ACTIVITIES	**4,594**	**(732)**
Net increase in cash and cash equivalents	**333**	**(319)**
Cash and cash equivalents at the beginning of the year	321	663
Effect of exchange rate fluctuations on cash held	9	5
Cash and cash equivalents at the end of the year	**663**	**349**

Notes to the consolidated financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

Interbrew NV is a company domiciled in Belgium. The consolidated financial statements of the Company for the year ended 31 December 2001 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The financial statements were authorised for issue by the Board of Directors on 12 March 2002.

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), and interpretations issued by the Standing Interpretations Committee of the IASB. The consolidated financial statements have been prepared on this basis for the first time in the current year.
The application of IAS was approved by the Belgian Banking and Finance Commission on 19 December 2000. The applied accounting standards comply, in all material aspects, with the European Union's Directives on financial statements.

(B) BASIS OF PREPARATION

The financial statements are presented in euro, rounded to the nearest million. They are prepared on the historical cost basis except for derivative financial instruments, investments held for trading and investments available-for-sale which are stated at fair value. Investments in equity instruments or derivatives linked to and to be settled by delivery of an equity instrument are stated at cost as and when such equity instrument does not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged.

The consolidated financial statements are prepared as of and for the period ending on 31 December 2001.

They are presented before the effect of the profit appropriation of the parent company proposed to the General Assembly of Shareholders.

Comparative information has been restated in accordance with IAS.

(C) PRINCIPLES OF CONSOLIDATION

Subsidiaries are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power, directly or indirectly, to exercise control over the operations so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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. They are accounted for by the equity method of accounting, from the date that significant influence commences until the date that significant influence 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 obligations in respect of the associate.

All intercompany transactions, balances and unrealised gains and losses on transactions between Group Companies have been eliminated.

A listing of the Group's significant subsidiaries and associates is set out in note 35.

(D) SCOPE OF CONSOLIDATION

The only major company which is included for the first time in the Group's consolidated financial statements as of and for the period ending on 31 December 2001, is Diebels GmbH & Co. KG in Germany.

(E) FOREIGN CURRENCIES

(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 balance sheet date rate. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction.

(2) Financial statements of foreign operations

The Group's foreign operations are not considered as an integral part of the Company's operations. Accordingly, assets and liabilities of foreign entities are translated to euro at foreign exchange rates prevailing at the balance sheet date. Income statements of foreign entities, excluding foreign entities in hyperinflationary economies, are translated to euro at exchange rates for the year approximating the foreign exchange rates ruling at the dates of the transactions. The components of shareholders' equity are translated at historical rates. Exchange differences arising from the translation of shareholders' equity to euro at year-end exchange rates are taken to "Translation reserves" in shareholders' equity.

In hyperinflationary economies, re-measurement of the local currency denominated non-monetary assets, liabilities, related income statement accounts as well as equity accounts is made by applying a general price index*. These re-measured accounts are used for conversion into euro at the closing exchange rate. For subsidiaries and associated companies in countries with hyperinflation where a general price index method is not yet stabilized and does not provide reliable results, the financial statements are re-measured into euro as if it was the operation's measurement currency. As a result, non-monetary assets, liabilities and related income statement accounts are re-measured using historical rates in order to produce the same result in terms of the reporting currency that would have occurred if the underlying transaction was initially recorded in this currency.

* Method currently applied for the main businesses operating in hyperinflationary economies (see also note 23)

(3) Exchange rates

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

1 euro equals to:

Currency		Closing rate 2000	Closing rate 2001	Average rate 2000	Average rate 2001
Canadian Dollar	CAD	1.396492	1.407697	1.370533	1.382694
Pound Sterling	GBP	0.624100	0.608498	0.607424	0.620496
US Dollar	USD	0.930501	0.881298	0.923052	0.894950
Korean Won	KRW	1,177.856	1,161.440	1,034.126	1,152.074
Mexican Peso	MXN	8.911068	8.087998	8.739807	8.364351
Russian Rouble	RUB	26.13695	26.49007	25.95245	25.98077
Ukrainian Hryvnia	UAH	5.045943	4.669620	5.006208	4.822058
Hungarian Forint	HUF	264.9708	245.1581	259.6728	257.5992
Bulgarian Lev	BGN	1.955799	1.955830	1.955799	1.955830
Romanian Lei	ROL	24,390.24	27,855.15	19,607.84	25,703.208
Chinese Yuan	CNY	7.704160	7.293946	7.648067	7.408615
Croatian Kuna	HRK	7.598207	7.370283	7.668947	7.492938

(F) INTANGIBLE ASSETS

(1)Research and development

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

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (refer accounting policy N).

(2) Other intangible assets

Other intangible assets, acquired by the Group, are stated at cost less accumulated amortisation (see below) and impairment losses (refer accounting policy N). Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(3) Subsequent expenditure

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

(4) Amortisation

Intangible assets are amortised using the straight line method over their useful lives with a maximum of 5 years.

(G) GOODWILL

(1) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition.

Goodwill is amortised using the straight-line method over its estimated useful life. Goodwill arising on the acquisition of breweries is generally amortised over 20 years. Goodwill arising on the acquisition of distribution companies is generally amortised over 5 years. The goodwill which arose from the acquisitions of Labatt Brewing Company Ltd., Interbrew UK Ltd. (ex-Whitbread), Bass Holding Ltd./Bass Beers Worldwide Ltd. (ex-Bass) and Diebels GmbH & Co. KG are amortised over 40 years due to the strategic importance of these acquisitions to the long term development of the Group, the nature and stability of the markets in which these companies operate and their position on these markets.

Goodwill is expressed in the currency of the subsidiary to which it relates (except for subsidiaries operating in highly inflationary economies) and is translated to euro using the year-end exchange rate.

Goodwill is stated at cost less accumulated amortisation and impairment losses (refer accounting policy N).

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

(2) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net identifiable assets acquired over the cost of acquisition.

To the extent that negative goodwill relates to an expectation of future losses and expenses which are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

The carrying amount of negative goodwill is deducted from the carrying amount of goodwill.

In respect of associates, the carrying amount of negative goodwill is included in the carrying amount of the investment in the associate

(H) PROPERTY, PLANT AND EQUIPMENT

(1) Owned assets

All property, plant and equipment is recorded at historical cost less accumulated depreciation and impairment losses (refer accounting policy N). Cost includes the purchase price and other direct acquisition costs (e.g. non refundable taxes, transport). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

(2) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. Repairs and maintenance, which do not increase the future economic benefits of the asset to which they relate, are expensed as incurred.

(3) Depreciation

Depreciation is calculated from the date the asset is available for use, using the straight-line method over the estimated useful life of the assets.

The rates used are as follows:

Industrial buildings	20 years
Production plant and equipment:	
- Production equipment	15 years
- Storage and packaging equipment	7 years
- Handling and other equipment	5 years
- Duotanks	7 years
Identified reusable packaging:	
- Kegs	10 years
- Bottles	5 years
- Crates	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

Land is not depreciated as it is deemed to have an infinite life.

(I) ACCOUNTING FOR LEASES

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of fair value and the estimated present value of the minimum lease payments at inception of the lease, less accumulated depreciation (refer accounting policy H) and impairment losses (refer accounting policy N).

Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest 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. Property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset (refer accounting policy H).

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

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

(J) INVESTMENTS

(1) Investments in equity securities

Investments in equity securities comprise non-consolidated associated companies and companies in which the Company holds less than 20% of the voting rights. These investments do not have a quoted market price in an active market and their fair value cannot be reliably measured and are therefore carried at cost less impairment losses. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to income.

(2) Investments in debt securities

Investments in debt securities are classified as trading or as being available-for-sale and are stated at fair value, with any resultant gain or loss recognised in the income statement.

The fair value of investments in debt securities held for trading and investments in debt securities available-for-sale is their quoted bid price at the balance sheet date.

(3) Other investments

Other investments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised in the income statement.

(K) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the weighted average method.

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

(L) TRADE RECEIVABLES

Trade receivables are carried at cost less impairment losses. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

(M) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash balances and call deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(N) IMPAIRMENT

The carrying amounts of the Group's assets, other than inventories (refer accounting policy K) and deferred tax assets (refer accounting policy T), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, and for goodwill amortised over a period exceeding twenty years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(1) Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

(2) Reversal of impairment

An impairment loss in respect of a held-to-maturity security or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature, which is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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 amortisation, if no impairment loss had been recognised.

(O) SHARE CAPITAL

(1) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

(2) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(P) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect is material, 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.

(1) Restructuring

A provision for restructuring is recognised 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.

(2) Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(Q) EMPLOYEE BENEFITS
(1) Pension obligations
The Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the recommendations of independent qualified actuaries.

For defined benefit plans, the pension accounting costs are assessed separately for each plan using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans each year. The pension obligations are measured as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds, which have terms to maturity approximating the terms of the related liability, and the fair value of plan assets is deducted. All actuarial gains and losses exceeding a corridor of 10% of the higher of the fair value of plan assets and the present value of the defined benefit obligations are recognised in the income statement over the average remaining service lives of employees participating in the plan.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The Group's obligations for contributions to the defined contribution pension plans are charged to the income statement as incurred.

(2) Other Post-Retirement Obligations
Some Group companies provide post-retirement healthcare 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 and determined by independent qualified actuaries.

(3) Equity and Equity-Related Compensation Benefits
Different stock option programmes allow Group employees, Group senior management and members of the Board to acquire shares of the Company. The option exercise price equals the market price of the underlying shares at the date of the grant and no compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

(4) Bonuses
Bonuses received by Group senior management are based on target financial key indicators. The estimated amount of the bonus is recognised as an expense based on an estimation at balance sheet date.

(R) INTEREST-BEARING LOANS AND BORROWINGS
Interest-bearing loans and borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of borrowings on an effective interest basis.

(S) TRADE AND OTHER PAYABLES
Trade and other payables are stated at cost.

(T) INCOME TAXES

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

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

Deferred income taxes are provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Under this method the Group is required to make a provision for deferred income taxes on the difference between the fair values of the net assets acquired and their tax base as a result of a business combination.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(U) REVENUE

(1) Goods sold and services rendered

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

(2) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

(3) Financial income (Interests, royalties and dividends)

Financial income comprises interests receivable on funds invested, dividend income, royalty income, foreign exchange gains and gains on hedging instruments that are recognised in the income statement (refer accounting policy W).

Interest, royalties and dividends arising from the use by others of the Company's resources are recognised 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 recognised as it accrues (taking into account the effective yield on the asset) unless collectibility is in doubt. Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement. Dividend income is recognised in the income statement on the date that the dividend is declared.

(4) Government grants

A government grant is recognised in the balance sheet 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 recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement as revenue on a systematic basis over the useful life of the asset.

(V) EXPENSES

(1) Financial expenses

Financial expenses comprise interest payable on borrowings, foreign exchange losses, and losses on hedging instruments that are recognised in the income statement (refer accounting policy W).

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financial expenses. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

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

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

(W) DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments primarily to reduce the exposure to adverse fluctuations in interest rates, foreign exchange rates, commodity prices and other market risks. The Group's policy prohibits the use of derivatives for speculation. The Group does not hold or issue financial instruments for trading purposes.

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Recognition of any resultant unrealised gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

(1) Cash flow hedges

Where a derivative financial instrument hedges the variability in cash flows of a recognised liability, a firm commitment or a forecasted transaction, the effective part of any resultant gain or loss on the derivative financial instrument is recognised directly in equity. When the firm commitment or the forecasted transaction results in the recognition of an asset or liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the asset or liability. Otherwise the cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the income statement. Any gain or loss arising from the time value of the derivative financial instrument is recognised in the income statement.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss (at that point) remains in equity and is recognised in accordance with the above policy when the transaction occurs.

If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

(2) Hedging of recognised assets and liabilities

Where a derivative financial instrument hedges the variability in fair value of a recognised receivable or payable, any resultant gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

The fair values of the hedged items, in respect of the risk being hedged, are their carrying amounts at the balance sheet date translated to euro, at the foreign exchange rate ruling at that date.

(3) Hedging of net investment in foreign operations
Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on translation of the liability to euro are recognised directly in "Translation reserves" in shareholders' equity.

Where a derivative financial instrument hedges a net investment in a foreign operation, the portion of the gain or the loss on the hedging instrument that is determined to be an effective hedge is recognised directly in "Translation reserves" in shareholders' equity, the ineffective portion is reported in the income statement.

(X) SEGMENT REPORTING
A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group is a single product business, products or services provided other than beer representing less than 10% (actual percentage for 2001: 7.2%) of the Group's activities, which is why its chosen segment reporting format is geographical segments. Making a segmentation between the different beers produced is not part of the internally reported financial information and is not feasible especially while the same installations are used to produce the different types of beer and while brand differential between "premium", "specialties" and "standard lager" is different from one geographical market to another for the same brand.

(Y) DISCONTINUING OPERATIONS
A discontinuing operation is a clearly distinguishable component of the Group's business that is abandoned or terminated pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

2. SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical segments based on location of customers. Amounts reported for holding companies include customers in countries where the Company has no industrial platform. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Expressed in million euro

	Western Europe		North America		Emerging markets		Bass		Holding Companies		Consolidated	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Net turnover	2,131	2,505	1,689	1,830	1,142	1,311	695	1,541	–	116	5,657	7,303
EBITDA (*)	381	412	407	429	281	338	117	340	(30)	14	1,156	1,533
Operating profit (loss)	209	224	274	313	107	162	51	176	(108)	9	533	884
Net financial income (expenses)											(258)	(176)
Share in the result of associated companies											50	67
Income tax expense											(75)	(179)
Minority interest											21	(59)
Extraordinary items											(1,235)	161
Net profit (loss) of the year											(964)	698
Segment assets	2,408	2,593	1,896	1,926	2,228	2,378	2,997	3,271	946	904	10,475	11,072
Investment in associated companies											679	784
Inter-segment eliminations											(280)	(321)
Non segmented assets											356	366
Total assets											11,230	11,901
Segment liabilities	1,308	1,466	595	613	508	550	553	652	181	308	3,145	3,589
Inter-segment eliminations											(257)	(317)
Non segmented liabilities											8,342	8,629
Total liabilities											11,230	11,901
Gross capital expenditure	113	159	105	87	198	203	61	108	10	2	487	559
Impairment losses	–	–	–	–	71	–	1,235	–	–	–	1,306	–
Impairment losses reversed	–	–	–	–	–	–	–	360	–	–	–	360
Depreciation	148	171	96	87	160	166	47	125	–	1	451	550
Amortisation	24	22	38	31	14	10	19	23	5	14	100	100

(*) EBITDA is defined as earnings before depreciation and amortisation, financial result and income taxes and excludes profit on intersegmental transactions

3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

	2000 Acquisition	2001 Acquisition	2001 Disposal
		Expressed in million euro	
Property, plant and equipment	1,292	60	(18)
Intangible assets other than goodwill	10	49	–
Interest bearing loans granted, non-current	–	1	–
Investments in associates	23	–	–
Investment securities, non-current	3	–	–
Deferred tax assets	7	–	–
Employee benefits	240	–	–
Receivables, non-current	342	26	–
Inventories, current	186	6	(2)
Income tax receivable	–	1	–
Trade and other receivables	901	18	(2)
Cash and cash equivalents	95	10	–
Deferred government grants	(4)	–	–
Minority interests	(4)	(22)	3
Interest bearing loans and borrowings, non-current	(21)	(3)	–
Employee benefits	(3)	(11)	–
Provisions, non-current	(8)	–	–
Deferred tax liabilities	(133)	(1)	–
Interest bearing loans and borrowings, current	(3)	(1)	2
Income tax payables	–	(1)	–
Trade and other payables	(1,002)	(36)	2
Net identifiable assets and liabilities	1,921	96	(15)
Goodwill on acquisition	2,619	33	5
Goodwill on shareholdings increases	–	19	–
Decrease of minority shareholdings	–	10	–
Consideration paid/(received), satisfied in cash	4,540	158	(13)
Cash (acquired)/disposed of	(95)	(10)	–
Net cash outflow/(inflow)	**4,445**	**148**	**(13)**

On 28 August 2001, Interbrew acquired 79.98% of the Diebels brewery in Germany for an amount of 108 million euro (including subsequent price adjustment). The acquisition was accounted for using the purchase method. In the four months up to 31 December 2001, the subsidiary contributed net profit of 2.1 million euro to the consolidated net profit of the year. Other acquisitions relate to additional shares purchased from minority shareholders in Central Europe and in Luxembourg as well as investments made to acquire small distribution companies in France and Belgium.

Investments made in 2000 relate to the acquisition of Whitbread (UK) on 25 May 2000 for a consideration of 649 million euro, of Bass (UK) on 24 August 2000 for 3,841 million euro and of Rogan (Ukraine) on 1 December 2000 for 46 million euro. The remaining amount of 4 million euro relates mainly to the acquisition of distribution companies in Belgium. These acquisitions were all accounted for using the purchase method.

4. OTHER OPERATING INCOME

	Expressed in million euro 2000	2001
Release of unused provisions	42	48
Gain on disposal of property, plant and equipment	9	18
Rent income	80	74
Other operating income	106	75
	237	**215**

The decrease in other operating income as compared to 2000, is mainly due to the sale of material and waste (28 million euro in 2000), which in 2001 is shown as a reduction of cost of sales (raw materials and consumables).

5. OTHER OPERATING EXPENSES

	Expressed in million euro 2000	2001
Rent cost	54	47
Losses from sale of tangible assets	12	32
Addition other provisions	49	95
Other operating expenses	91	41
	206	**215**
Research and development expenses as incurred	10	10

6. PAYROLL AND RELATED BENEFITS

	Expressed in million euro 2000	2001
Wages and salaries	776	957
Compulsory social security contributions	127	175
Other personnel cost	69	96
Contributions to defined contribution plans	7	6
Increase in liability for defined benefit plans	31	44
Movement in asset for defined benefit plans	–	(14)
	1,010	**1,264**
Full Time Equivalents during the year	36,463	37,617

The increase in 2001 of total payroll cost of 254 million euro as compared to 2000, is mainly scope driven; in 2000 the Interbrew UK payroll costs are only included for 7 months, and the Bass payroll costs are only included for 4 months, while in 2001 both companies' payroll costs are included for 12 months.

7. FINANCIAL INCOME

Expressed in million euro	2000	2001
Interest income	29	38
Dividend income, non-consolidated companies	6	5
Foreign exchange gains	130	88
Gain on disposal of financial investments	25	–
Revaluation to fair value of derivatives	–	39
Hyperinflation gains	8	2
Other	–	9
	198	**181**

8. FINANCIAL EXPENSES

Expressed in million euro	2000	2001
Interest expense	(267)	(218)
Foreign exchange losses	(143)	(85)
Revaluation to fair value of derivatives	–	(32)
Bank fees	(38)	(11)
Expenses on financial instruments	(1)	(11)
Other	(7)	–
	(456)	**(357)**

The impact of the IAS 39 implementation, gross of tax, amounts to 7 million euro: 39 million euro as financial income, and 32 million euro as financial expenses (revaluation to fair value of derivatives). In the 2002 presentation of financial statements by function, only the net financing cost and thus only the net IAS 39 effect will be shown.

9. INCOME TAX EXPENSE

	2000	2001
	Expressed in million euro	
Recognised in the income statement		
Current tax expense		
Current year	140	150
Under/(over) provided in prior years	7	9
Current year's tax expense	147	159
Deferred tax expense/(income)		
Origination and reversal of temporary differences	(10)	34
Deferred tax asset recognition/utilisation on prior years' losses	(16)	(5)
Deferred tax on current year's losses	(46)	(9)
	(72)	**20**
Total income tax expense in income statement	75	179
Reconciliation of effective tax rate		
Profit before tax	325	775
Deduct share in result of associated companies	(50)	(67)
Profit before tax consolidated group companies	275	708
Adjustments on taxable basis		
Non-deductible amortization of goodwill and intangibles	76	77
Cumulative translation difference on return of investment	3	–
Untaxed capital gain on sale of investment	(14)	–
Expenses not deductible for tax purposes	38	67
Non-taxable dividends from investments in non-group companies	(1)	(8)
Non-taxable financial and other income	(48)	(28)
	329	**816**
Aggregated weighted tax rate for the group	*34.55%*	*34.56%*
Tax at average rate	114	282
Adjustments on tax expenses		
Utilisation/(recognition) of tax losses not previously recognised	12	(17)
Under/(over) provided in prior years	(9)	9
Tax savings from tax credits	(1)	–
Tax savings from special tax status	(57)	(95)
Change in tax rate	–	(12)
Other tax adjustments, mainly withholding tax	16	12
	75	**179**
Effective tax rate of the year	*27.27%*	*25.28%*

The aggregated weighted tax rate for the group is calculated by applying the statutory tax rate of the country on the profit before tax and any extraordinary items of each entity of the Group and by dividing the resulting tax charge by the total profit before tax and extraordinary items of the Group.

Expressed in million euro

DEFERRED TAX EXPENSE (INCOME) RECOGNISED DIRECTLY IN EQUITY	2000	2001
Relating to deductible transaction costs of the initial public offer directly attributed to equity	(47)	–
Impact of first time application of IAS as the primary basis of accounting	34	–
Change in accounting policy	–	(14)
	(13)	**(14)**

The proceeds of the December 2000 Initial Public Offer of Interbrew were directly attributed to share capital as were the corresponding transaction costs and their relating tax impact of 47 million euro.

As a result of Interbrew's first application of IAS, opening retained earnings were increased by an amount of 80 million euro net of deferred tax expenses of 34 million euro. The former amount of 80 million euro is prior to the additional corrections of 90 million euro dividend declared in 2001, which is included in equity whereas in the local Belgian accounts the amount was already deducted, as well as to the capital gain on sale of own shares and initial public offer costs directly attributed to equity.

10. EXTRAORDINARY ITEMS

Expressed in million euro

	2000	2001
Extraordinary income before tax	–	360
Extraordinary expense before tax	(1,235)	(215)
Income tax credit	–	16
Extraordinary expense after tax	**(1,235)**	**161**

The 2000 extraordinary expense relates to the impairment loss on the Bass goodwill, following the January 2001 OFT decision.

The 19 September 2001 decision of the British Minister of Trade, which allowed Interbrew to keep a part of the Bass business, qualifies as an external event (IAS 36, § 109) which requires the reversal of the relevant portion of the impairment loss recognized in 2000. Consequently, 360 million euro is reversed in 2001 to reflect the final outcome of the disposal of the assets to be sold as a result of this decision. In addition, de-merger costs for the retained business, disposal costs and fees for the Carling Brewers sale and deal-related provisions amounting to 199 million euro, net of tax, were charged to the 2001 income statement.

11. PROPERTY, PLANT AND EQUIPMENT

Expressed in million euro

	Land and Buildings	Plant and Equipment	Fixtures and fittings	Under Construction	Total
Acquisition cost					
Balance at the end of the previous year	1,716	4,122	1,441	110	7,389
Change in accounting policy	–	91	–	–	91
Balance as restated	1,716	4,213	1,441	110	7,480
Effect of movements in foreign exchange	22	52	23	1	98
Acquisitions through business combinations	23	31	27	1	82
Other acquisitions	33	263	182	57	535
Transfer to other asset categories	5	(20)	40	(56)	(31)
Disposals through business transactions	(8)	(12)	(1)	(1)	(22)
Disposals	(36)	(62)	(51)	–	(149)
Other movements	2	(11)	(3)	1	(11)
Balance at the end of the year	1,757	4,454	1,658	113	7,982
Depreciation and impairment losses					
Balance at the end of the previous year	(471)	(2,233)	(960)	–	(3,664)
Change in accounting policy	–	–	–	–	–
Balance as restated	(471)	(2,233)	(960)	–	(3,664)
Effect of movements in foreign exchange	(4)	(26)	(15)	–	(45)
Acquisitions through business combinations	(1)	(1)	(20)	–	(22)
Depreciation charge for the year	(61)	(329)	(160)	–	(550)
Disposals through business transactions	1	2	–	–	3
Transfer to other asset categories	2	36	(18)	–	20
Disposals	8	30	28	–	66
Other movements	1	9	–	–	10
Balance at the end of the year	(525)	(2,512)	(1,145)	–	(4,182)
Carrying amount					
at January 1, 2001	1,245	1,889	481	110	3,725
at December 31, 2001	1,232	1,942	513	113	3,800

Leased assets

The Group leases land and buildings as well as equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2001 the net carrying amount of leased land and buildings was 15.4 million euro and leased plant and equipment was 12.7 million euro.

12. GOODWILL

	Expressed in million euro
Cost	
Balance at the end of the previous year	4,196
Acquisitions through business combinations	66
Effect of movements in foreign exchange	58
Adjustments arising from subsequent identification or changes in value of identifiable assets and liabilities	19
Disposals	5
Other	2
Balance at the end of the year	4,346
Amortisation and impairment losses	
Balance at the end of the previous year	(1,458)
Amortisation charge	(80)
Impairment losses for the year	–
Effect of movements in foreign exchange	(23)
Reversal of impairment losses	360
Disposals	–
Balance at the end of the year	(1,201)
Carrying amount	
At January 1, 2001	2,738
At December 31, 2001	3,145

During the year, the Group acquired Diebels in Germany (voting share 79.98%). Diebels is fully consolidated as from 1 September 2001 onwards.

As explained in note 10, 360 million euro impairment loss on Bass has been reversed.

13. INTANGIBLE ASSETS OTHER THAN GOODWILL

	Expressed in million euro		
	Patents Licenses	Devel. Costs	Total
Acquisition cost			
Balance at the end of the previous year	196	4	200
Effect of movements in foreign exchange	2	–	2
Acquisitions through business combinations	56	–	56
Acquisitions	24	–	24
Disposals	(26)	–	(26)
Transfers to other categories	2	–	2
Other movements	2	–	2
Balance at the end of the year	256	4	260
Amortisation and impairment losses			
Balance at the end of the previous year	(139)	(4)	(143)
Effect of movements in foreign exchange	(1)	–	(1)
Acquisitions through business combinations	(7)	–	(7)
Depreciation charge for the year	(20)	–	(20)
Disposals	24	–	24
Transfers to other categories	2	–	2
Other movements	(1)	–	(1)
Balance at the end of the year	(142)	(4)	(146)
Carrying value			
at January 1, 2001	57	–	57
at December 31, 2001	114	–	114

14. INVESTMENTS IN ASSOCIATES

The Group has the following significant investments in associates:

	Country	Ownership
Femsa Cerveza	Mexico	30%
Femsa Logistica	Mexico	30%
Grolsch UK Limited	United Kingdom	49%
TradeTeam Limited	United Kingdom	49%

These investments are accounted for under the equity method.

15. INVESTMENT SECURITIES

	Expressed in million euro 2000	2001
Non-current investments		
Non-current equity securities available for sale	166	194
Non-current debt securities held to maturity	2	2
	168	196
Current investments		
Current debt securities held to maturity	29	–
	29	**–**

With the adoption of IAS 39 (refer note 28), the Group now states available-for-sale investments at fair value. The fair value of these investments at 1 January 2001 was adjusted against the opening balance of retained earnings at that date.

16. LONG TERM RECEIVABLES

	Expressed in million euro 2000	2001
Trade receivables long term	3	3
Cash guarantees	26	24
Other receivables long term	397	378
	426	**405**

The option to buy as of 2006 a 5% additional stakeholding in our Korean affiliate, Oriental Breweries, is included in the other receivables long term, for an amount of 30 million euro.

Doosan Corporation transferred to Hops Coöperative U.A., a co-operative incorporated in the Netherlands, all of its rights, title and interests and benefits in a stake of approximately 45% in Oriental Breweries.

Interbrew sold to Merrill Lynch International a European-style put option and Merrill Lynch International sold to Interbrew an American-style call option on the Hops shares. The put option is automatically exercisable on 2 January 2004 and has a strike price of 612 million euro. The call option becomes exercisable at any time beginning three months after 26 June 2001 up to 2 January 2006, excluding 2 January 2004 and the eight business days preceding 2 January 2004 and has a strike price of 642 million euro.

Under IAS, these options are considered as a derivative. Nevertheless, these options are recorded at cost, because no quoted market price in an active market is available and because other methods of estimating the fair market value are dependent on the application of benchmark criteria and multipliers which can make the change in value so big that their usefulness for accounting purposes is highly questionable.

17. DEFERRED TAX ASSETS AND LIABILITIES

Expressed in million euro

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES	Assets		Liabilities		Net	
	2000	2001	2000	2001	2000	2001
Property, plant and equipment	34	52	257	244	223	192
Intangible assets	20	3	15	27	(5)	24
Other investments	4	–	15	45	11	45
Inventories	2	2	9	9	7	7
Interest bearing loans and borrowings	1	1	–	6	(1)	5
Employee benefits	81	107	69	91	(12)	(16)
Deferred government grants	–	–	2	1	2	1
Provisions	70	39	1	6	(69)	(33)
Other items	6	12	27	6	21	(6)
Tax value of loss carry-forwards utilised	79	92	–	–	(79)	(92)
Tax assets/liabilities	297	308	395	435	98	127
Set off of tax	(152)	(159)	(152)	(159)	–	–
Net tax assets/liabilities	**145**	**149**	**243**	**276**	**98**	**127**

Expressed in million euro

TEMPORARY DIFFERENCES FOR WHICH NO DEFERRED TAX ASSET IS RECOGNISED	2000	2001
Investments in affiliated companies (taxable)	193	226
Unused tax losses, tax credits and other items	198	145

Tax losses begin to expire in 2005. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised on these items because it is not probable that future taxable profit will be available against which the affiliates can utilise the benefits therefrom.

18. INVENTORIES

Expressed in million euro

	2000	2001
Prepayments	2	21
Raw materials and consumables	239	281
Work in progress	77	72
Finished goods	96	97
Goods purchased for resale	75	85
	489	**556**
Inventories other than WIP		
Inventories stated at NRV	–	1
Carrying amount of inventories subject to retention of title clauses	–	6

19. TRADE AND OTHER RECEIVABLES

Expressed in million euro	2000	2001
Trade receivables	1,314	1,502
Interest receivable	2	8
Non-income tax receivable	11	57
Derivative financial instruments with positive fair values	–	27
Other receivables	364	350
	1,691	**1,944**

20. CASH AND CASH EQUIVALENTS

Expressed in million euro	2000	2001
Short term bank deposits	369	90
Bank current accounts	416	307
Cash	–	4
Cash and cash equivalents	785	401
Bank overdrafts	(122)	(52)
	663	**349**

21. CAPITAL AND RESERVES

Expressed in million euro

RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES	Issued capital	Share premium	Translation Reserves	Hedging Reserves	Reserves own shares	Retained Earnings	Total
As per January 1, 2000	252	48	248	–	–	1,046	1,594
Restatements as a result of first time application IAS	–	–	67	–	–	67	134
Recognised gains and losses for the period	–	–	137	–	–	(964)	(827)
Shares issued	77	3,147	–	–	–		3,224
Dividends to shareholders	–	–	–	–	–	(59)	(59)
As per December 31, 2000	329	3,195	452	–	–	90	4,066
As per January 1, 2001	329	3,195	452	–	–	90	4,066
Restatements as a result of changes in accounting policies (IAS 29 / SIC-19)	–	–	(20)	–	–	60	40
Adjustement as a result of adopting IAS 39							
Impact on opening balance	–	–	–	–	–	(5)	(5)
CTA	–	–	(3)	–	–	–	(3)
Income Statement	–	–	–	–	–	5	5
Through reserves (effective portion of cash flow hedges)	–	–	–	(8)	–	–	(8)
Recognised gains and losses for the period	–	–	104	–	–	693	797
Other item recognised directly in equity	–	–	–	–	–	(1)	(1)
Shares issued	3	14	–	–	–	–	17
Dividends to shareholders	–	–	–	–	–	(90)	(90)
As per December 31, 2001	332	3,209	533	(8)	–	752	4,818

Expressed in thousands of shares

SHARE CAPITAL AND SHARE PREMIUM	2000	2001
On issue at January 1	163,560	427,404
Issued for cash	1,358	3,466
Stock split	164,918	–
IPO	88,200	–
Greenshoe	8,913	–
Employee shares	455	256
On issue at December 31- fully paid	**427,404**	**431,126**

The authorised share capital comprises 643,896,104 ordinary shares. The shares have no par value.
Employee shares were granted with a discount of 20% on each lot of 5 shares acquired (plan 2000) and with a discount of 33.33% for each 15 shares bought up to 30 shares and 20% discount on each lot of 5 shares acquired above 30 shares (plan 2001). The issue price was determined based on the IPO introduction price of 33 euro per share for the employee stock purchase plan 2000 and on the average market value of the share over the last three months prior to 4 October 2001 (28.4 euro per share) for the employee stock purchase plan 2001.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company.

Warrants
On 31 December 2001, 4,272 warrants for an aggregate of 1,708,800 shares were outstanding at a weighted average exercise price of 4.018 euro per share. The issuances must be within the authorised capital and must satisfy the conditions for limitation or cancellation of shareholders' preferential rights.

Dividends
After the balance sheet date, a dividend of 125 million euro, or 0.29 euro per share, is proposed by the Board of Directors. The dividend has not been recorded in the 2001 Financial Statements.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities and the fair value adjustment of derivative financial instruments that hedge the Company's net investment in foreign subsidiaries.

Hedging reserve
The hedging reserve comprises the cumulative net change in the fair value of cash flow hedges where the hedged transaction has not yet occurred.

22. EARNINGS PER SHARE

Basic earnings per share:
The calculation of basic earnings per share is based on the net profit of 698 million euro (2000: net loss of 964 million euro) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the period of 428,866 (2000: 334,872), calculated as follows:

Expressed in million euro

NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	2000	2001
Net profit/(loss) for the year	(964)	698
Net profit attributable to ordinary shareholders	**(964)**	**698**

Expressed in thousands of shares

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	2000	2001
Issued ordinary shares at January 1	163,560	427,404
Stock split	163,560	0
Effect of shares issued	7,752	1,462
Weighted average number of ordinary shares at December 31	**334,872**	**428,866**

Diluted earnings per share

The calculation of diluted earnings per share is based on net profit attributable to ordinary shareholders of 698 million euro (2000: (964) million euro) and a weighted average number of ordinary shares (diluted) outstanding during the period of 434,156 (2000: 342,785), calculated as follows:

Expressed in million euro

NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS (DILUTED)	2000	2001
Net profit/(loss) attributable to ordinary shareholders	(964)	698
Net profit attributable to ordinary shareholders (diluted)	**(964)**	**698**

Expressed in thousands of shares

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)	2000	2001
Weighted average number of ordinary shares at December 31	334,872	428,866
Effect of share option on issue	7,913	5,290
Weighted average number of ordinary shares (diluted) December 31	**342,785**	**434,156**

23. CHANGES IN ACCOUNTING POLICY

On 19 December 2000 the "Commissie voor het Bank- en Financiewezen/Commission Bancaire et Financière", decided, in accordance with article 8 of the Royal Decree of 1 September 1986 and based on a formal request, to allow Interbrew to present its financial statements in accordance with IAS. As a result of such decision the 31 December 2001 financial statements are presented in full compliance with IAS.

In the current year the Group adopted IAS 39 *Financial Instruments: Recognition and Measurement*.

The adoption of IAS 39 has resulted in the Group recognising available-for-sale investments at fair value and recognising all derivative financial instruments as assets or liabilities (refer note 28). This change has been accounted for by adjusting the opening balance of retained earnings at 1 January 2001; comparatives have not been restated.
The adoption of IAS 39 in 2001 had the following impact (net of tax) on retained earnings:

Expressed in million euro

	Retained earnings 2001
Opening balance as previously reported	90
Impact of adopting IAS 39	(5)
Restated balance	85

Net profit for the year has been increased by 5 million euro, net after tax, relating to the adoption of IAS 39.

Interpretation SIC-19 (Reporting Currency - Measurement and Presentation of Financial Statements under IAS 21 and IAS 29), imposing the exclusive use of an index reflecting changes in the general purchasing power to restate non monetary assets and liabilities (not stated at net realisable value or fair value) of companies operating in an hyperinflationary economy, became effective for annual financial periods beginning on or after January 1, 2001.

The change has been accounted for by adjusting the opening balance of equity (retained earnings and translation reserves). The comparatives have not been restated because it was impracticable to do so.

The impact of the adoption of SIC-19 (net of tax) can be summarised as follows:

Expressed in million euro	Group	Minorities
Opening retained earnings	60	31
Net profit (loss) for the period	(11)	4
Translation reserves	(20)	(10)

24. INTEREST BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, refer note 28.

NON-CURRENT LIABILITIES (Expressed in million euro)	2000	2001
Unsecured bank loans	2,499	1,732
Unsecured bond issues	210	232
Unsecured other loans	26	27
Finance lease liabilities	18	15
	2,753	**2,006**

CURRENT LIABILITIES (Expressed in million euro)	2000	2001
Unsecured bank loans	622	850
Unsecured bond issues	205	139
Unsecured other loans	30	36
Finance lease liabilities	5	3
	862	**1,028**

TERMS AND DEBT REPAYMENT SCHEDULE (Expressed in million euro)	Total	1 year or less	1-2 years	2-5 years	More than 5 years
Unsecured bank loans	2,582	850	507	1,006	219
Unsecured bond issues	371	139	–	–	232
Unsecured other loans	63	36	3	23	1
Finance lease liabilities	18	3	2	7	6
	3,034	**1,028**	**512**	**1,036**	**458**

FINANCE LEASE LIABILITIES (Expressed in million euro)	Payments 2000	Interest 2000	Principal 2000	Payments 2001	Interest 2001	Principal 2001
Less than one year	7	2	5	4	1	3
Between one and five years	15	4	11	12	3	9
More than five years	13	6	7	10	4	6
	35	**12**	**23**	**26**	**8**	**18**

25. EMPLOYEE BENEFITS

Expressed in million euro	2000	2001
Present value of unfunded obligations	(123)	(167)
Present value of funded obligations	(2,591)	(2,598)
Fair value of plan assets	2,799	2,504
Present value of net obligations	85	(261)
Unrecognised actuarial gain	(135)	(26)
Unrecognised actuarial loss	7	293
Unrecognised past service cost	(1)	–
Net liability recognised in the balance sheet	**(44)**	**6**
Liability amount recognised in the balance sheet	(296)	(304)
Asset amount recognised in the balance sheet	252	310
	(44)	**6**

Liability for defined benefit obligations
The Group makes contributions to 37 defined benefit plans of which most are retirement plans in the form of final pay programs and 10 plans are medical cost plans for employees upon retirement.

The plan assets do not include ordinary shares issued by the Company or any property occupied by the Group companies.

The present value of obligations for 2001 includes the full impact of Bass, amounting to 63 million GBP.

MOVEMENTS IN THE NET LIABILITY RECOGNISED IN THE BALANCE SHEET

Expressed in million euro	2000	2001
Net liability at January 1 as previously reported	259	44
Transitional liability recognised in retained earnings	(195)	9
Net liability at January 1 as restated	64	53
Contributions received	(61)	(85)
Expense recognised in the income statement	31	30
Exchange difference	10	(4)
Net liability/(asset) at December 31	**44**	**(6)**

EXPENSE RECOGNIZED IN THE INCOME STATEMENT

Expressed in million euro	2000	2001
Current service costs	45	53
Interest on obligation	107	180
Expected return on plan assets	(116)	(208)
Recognised past service cost	–	11
Actuarial gain	(3)	(4)
Gains on settlement or curtailments	(2)	(2)
	31	**30**

The actual return on (decrease of) plan assets during 2001 and 2000 respectively were 328 million euro and (52) million euro.

In the income statement classification of expenses by function (refer note 34), the net periodic pension cost is included in the following line items:

	Expressed in million euro 2001
Cost of sales	9
Distribution expenses	5
Sales expenses	4
Marketing expenses	1
Administrative expenses	12
Other operating expenses	(1)
	30

Liability for defined benefit obligations
Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2000	2001
Discount rate at December 31	6.6%	6.3%
Expected return on plan assets at December 31	7.2%	7.4%
Future salary increases	4.0%	3.7%
Medical cost trend rate	10% p.a. reducing by 1% p.a. down to 5% and 4% for dental claims	9% p.a. reducing by 0.5% p.a. down to 5% and 4% for dental claims
Future pension increases	2.0%	2.3%

Equity compensation benefits
In 1999 the Group established a long term incentive programme for key management employees. Each subscription right gives the right to subscribe to a new ordinary share in the Group. Those rights may be exercised, in principle, as from the expiry of the third calendar year of the notification of their offer, until the expiry of the tenth calendar year of the notification of their offer. The issues of rights are in accordance with the interest of the Group and its shareholders, as the purpose is to motivate management in the long run.

	Expressed in numbers of options 2000	2001
Options vested during the year	–	–
Options outstanding at January 1	1,282,400	3,729,048
Options issued during the year	2,637,416	3,170,092
Options exercised during the year	–	–
Options canceled during the year	(190,768)	(82,570)
Options outstanding at December 31	**3,729,048**	**6,816,570**

The weighted average price of options outstanding at 31 December 2001 is 21.03 euro per share (2000: 13.85 euro per share)

26. PROVISIONS OTHER THAN PENSION AND SIMILAR OBLIGATIONS

Expressed in million euro

	Restructuring	Disputes	Other	Total
Opening balance	116	12	149	277
Change in accounting policy	–	–	–	–
Restated opening balance	116	12	149	277
Effect of movements in foreign exchange	–	–	1	1
Provisions made during the year	53	5	69	127
Provisions used during the year	(37)	–	(53)	(90)
Provisions reversed during the year	(22)	(1)	(25)	(48)
Other movements	4	1	(2)	3
Closing balance	**114**	**17**	**139**	**270**
Non-current closing balance	110	14	126	250
Current closing balance	4	3	13	20
	114	**17**	**139**	**270**

The restructuring provisions relate to announced restructuring plans, mainly in Canada and in Belgium in respect of the centralisation of distribution and production as well as the closure of the malting operations. In Belgium, these provisions include 36 million euro early retirement provisions discounted at a rate of 5%.

Other provisions relate to provisions for litigations or expected litigations, claims, disputed tax assessments and the negative outcome of commitments in respect of operational activities. These provisions are established based on management's estimate of the expenditure required to settle the present obligation at the balance sheet date.

27. TRADE AND OTHER PAYABLES

Expressed in million euro

	2000	2001
Trade payables	894	958
Payroll and social security payables	143	168
Non-income tax payable	602	612
Interest payable	2	10
Consigned packaging	158	195
Cash guarantees	1	2
Derivative financial instruments with negative fair values	–	32
Dividends	–	3
Other payables	289	530
	2,089	**2,510**

28. FINANCIAL INSTRUMENTS

TERMS, CONDITIONS AND ACCOUNTING POLICIES

Exposure to interest rate, currency, credit and commodity risk arises in the normal course of the Group's business. Derivative financial instruments are used to mitigate those risks. The Group's policy prohibits the use of derivatives in the context of trading.

The main financial instruments used to cover foreign exchange risk are forward exchange contracts and currency swaps. The objective of the Group's use of currency derivatives is to eliminate or mitigate the exposure of its foreign currency denominated receivables, payables and investments.

Interest rate swaps, collars and forward rate agreements are used in order to fix or limit the interest rate paid on existing variable rate debt.

The Group measures commodity risk annually and will hedge the identified risk using a combination of fixed price contracts, exchange traded options or futures and other derivative contracts.

FOREIGN CURRENCY RISK

Impact of exchange rates on the net investment in self-sustaining foreign operations and the net monetary assets of foreign operations in hyperinflationary economies does not represent a true economic risk to the Group unless there is an intent to actually convert the net assets or liabilities to the base currency.

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than euro. The currencies giving rise to this risk are primarily USD, CAD and GBP. The Group generally hedges net transactional exposures when the amounts are known or can be assessed.

As at 31 December 2001 the Group had entered into forward exchange contracts EUR/CAD for a total amount of 32.8 million euro (forward sales of CAD), forward exchange contracts of EUR/GBP of 339.6 million euro (forward purchases of euro), forward exchange contracts of GBP/USD of 47.4 million GBP (forward purchases of GBP), all maturing in the course of 2002. The Group also entered into forward exchange contracts MXN/USD for a total amount of 5.3 million USD maturing within one month. Of lesser importance are the forward contracts in GBP/SEK, CAD/GBP and EUR/USD.

The Group entered into three cross-currency interest rate swap agreements which effectively convert a 162 million USD denominated fixed rate debt maturing in 2008 into a 236 million CAD floating rate debt. These agreements expire on 23 July 2008.

Hedges of a net investment in a foreign entity

The Group entered into one forward EUR/GBP contract of 616.7 million euro maturing in January 2002 in order to hedge the foreign currency risk of the net investment in Bass.

For new investments, foreign exchange exposures will be analysed and hedging recommendations will be made.

INTEREST RATE RISK

The Group adopts a policy of insuring that at least 45% of its exposure to changes in interest rates of the total debt is hedged on a weighted average term to maturity basis. As per this policy the Group should never have more than 80% of its total debt fixed.

Interest rate risk expressed in euro

In order to hedge the floating rate on a 567 million euro multi currency credit facility agreement (dated 10 June 2000 maturing after 5 years) with an outstanding amount of 200 million euro per 31 December 2001, the Group entered into several interest rate collar agreements, for a total notional contract amount of 200 million euro, maturing over the next 3 years. Some of these collars have a knock-in option included. The collar agreements limit the interest rate to a maximum ranging from 4.25% to 4.50% and to a minimum ranging from 1.98% to 4.25% (the latter figure resulting from the presence of a knock-in option).

In order to hedge the floating rate on a 60.4 million euro long term advance facility agreement (dated 29 April 1998 maturing after 7 years) with an outstanding amount of 60.4 million euro per 31 December 2001, the Group entered into an instalment step up collar agreement of 35 million euro maturing in 2002. The collar agreement limits the interest rate to a maximum of 4.75% or 5.50% and to a minimum ranging from 3.65% to 4.50% (the latter figure resulting from the presence of a knock-in option). The instalment amounts to 0.25%.

In order to hedge the floating rate on a 247.89 million euro roll-over credit facility agreement (dated 25 November 1998 maturing after 10 years) with an outstanding amount of 247.89 million euro per 31 December 2001 the Group entered into the following:

- a strip of three month forward rate agreements for a total amount of 40 million euro from 16 January 2002 till 16 October 2002 and 20 million euro from 16 October 2002 till 16 April 2003. The forward rate agreements are fixing the interest rates to be paid to a range between 3.10% and 3.44%;
- several interest rate collar agreements, for a total notional contract amount of 100 million euro, maturing over the next 3 years. The collar agreements limit the interest rate to a maximum ranging from 4.00% to 4.25% and to a minimum ranging from 2.75% to 3.40%;
- three Interest Rate Swaps with forward start 16 January 2002 and maturing 16 January 2005 for a total notional amount of 30 million euro, paying a fixed interest rate of 3.8%.

Interest rate risk expressed in CAD

In order to hedge the floating rate on a 652 million CAD syndicated loan (dated 15 April 1996 maturing after 7 years) and the floating rate on a synthetic 236 million CAD loan (= 162 million USD private placement with fixed interest rate payments swapped into a 236 million CAD loan with floating interest rate payments), the Group entered into several interest rate swap agreements, interest rate collar agreements and a strip of forward rate agreements.

The total notional contract amount of the interest rate swap agreements is 310 million CAD. The swap agreements have expiry dates ranging from 29 January 2002 to 23 July 2008 and the fixed rate ranges from 5.055% to 5.795%. The total notional contract amount of the interest rate collar agreements is 75 million CAD with maturity 31 January 2004 and 31 January 2006. The interest rate collar agreements limit the interest rate to a maximum of 6% and to a minimum ranging from 4.40% to 4.60%. The strip of three month forward rate agreements fixes the interest rate on 100 million CAD between 23 January 2002 and 23 January 2003. The forward rate agreements are fixing the interest rate to a range between 2.19% (first quarter 2002) and 3.125% (last quarter 2002).

Interest rate risk expressed in KRW

In order to hedge the floating rate on three syndicated loans of 100,000 million KRW maturing in 2002 and 2003, the Group entered into three interest rate swap agreements for a total notional contract amount of 100,000 million KRW maturing in 2002 and 2003 with fixed rates ranging from 8.00% to 9.77%.

CREDIT RISK

Credit risk represents the risk of loss resulting from counterparty default in relation to on- and off-balance sheet products. Management has a credit policy in place and the exposure to credit risk is monitored. The Group does not require collateral in respect to financial assets. Its investment policy specifically allocates the investment lines to an approved list of counterparties with an established maximum investment for each. All investments are fairly short term (< 1 year) and only in high quality investment grade companies.

At balance sheet date the Group had no significant concentrations of credit risk.

With respect to derivative financial instruments, credit risk exposure is 59.7 million euro. This amount being the total of the positive fair values of derivatives and the maximum loss that could result from non-performance of contractual obligations by these parties.

COMMODITY RISK

The Group essentially uses fixed price contracts to minimize exposure to unfavourable commodity price changes (e.g. glass, cans, crowns, malt, corn syrup, corn grits, hops, labels, corrugated). It is the Group's policy to hedge a minimum of 20% of commodity exposure.

FAIR VALUE

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and financial liabilities, the Group takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial instrument.

FAIR VALUE LOANS

	Carrying amount 2000	Fair Value 2000	Carrying amount 2001	Fair value 2001
		Expressed in million euro		
Financial derivatives				
Forward exchange contracts:				
Assets	–	23	1	1
Liabilities	–	–	(21)	(21)
Interest Rate Swaps:				
Assets	–	2	–	–
Liabilities	–	(3)	(8)	(8)
Forward Rate Agreements:				
Assets	–	–	–	–
Liabilities	–	(1)	–	–
Collars:				
Assets	–	3	1	1
Liabilities	–	–	(2)	(2)
Cross Currency Swaps:				
Assets	–	–	25	25
Liabilities	–	(6)	–	–
Bank loans				
NLG fixed rate loans	(14)	(15)	(3)	(3)
KRW fixed rate loans	–	–	(43)	(44)
Debentures				
CAD fixed rate notes	(36)	(35)	(36)	(37)
USD fixed rate notes	(174)	(179)	(197)	(197)
KRW fixed rate notes	–	–	(139)	(141)
Total	**(224)**	**(211)**	**(422)**	**(426)**
Unrecognised gains/(losses)	**–**	**(13)**	**–**	**4**

The above fair values are based on investment dealer quotes or quotes from the Group's bankers. The fair value of these instruments generally reflects the estimated amounts that the Group would receive on settlement of favourable contracts or be required to pay to terminate unfavourable contracts at the reporting date, and thereby takes into account the current unrealised gains or losses on open contracts.

EFFECTIVE INTEREST RATES AND REPRICING ANALYSIS

In respect of interest-bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date and the periods in which they reprice.

Expressed in million euro

	2000 Effective Interest rate	2000 Total	2000 ≤ 1 years	2000 1 - 5 years	2000 ≥ 5 years	2001 Effective interest rate	2001 Total	2001 ≤ 1 years	2001 1 - 5 years	2001 ≥ 5 years
Bank loans:										
BEF floating rate loans	5.740%	248	248	–	–	–	–	–	–	–
BGN floating rate loans	6.073%	11	11	–	–	11.250%	2	2	–	–
CAD floating rate loans	5.762%	480	480	–	–	4.748%	429	429	–	–
CNY fixed rate loans	6.199%	6	6	–	–	6.274%	9	9	–	–
CZK floating rate loan	–	–	–	–	–	5.090%	3	3	–	–
DEM floating rate loans	7.222%	9	9	–	–	8.000%	7	7	–	–
EUR floating rate loans	5.705%	700	700	–	–	4.072%	574	574	–	–
EUR fixed rate loans	–	–	–	–	–	5.083%	43	23	20	–
GBP floating rate loans	6.968%	1,439	1,439	–	–	5.573%	1,323	1,323	–	–
KRW floating rate loans	5% to 12%	217	217	–	–	6.218%	138	138	–	–
KRW fixed rate loans	–	–	–	–	–	11.000%	43	–	43	–
NLG fixed rate loans	5.961%	14	1	6	7	5.875%	3	–	3	–
ROL floating rate loans	47.600%	11	11	–	–	39.881%	8	8	–	–
RUB fixed rate loans	–	–	–	–	–	19.244%	26	26	–	–
UAH fixed rate loans	27.489%	2	2	–	–	–	–	–	–	–
USD floating rate loans	6.454%	40	40	–	–	4.295%	37	37	–	–
Debentures:										
CAD fixed rate notes	6.070%	36	–	–	36	6.070%	36	–	–	36
KRW floating rate notes	5% to 12%	205	205	–	–	10.000%	139	131	8	–
USD fixed rate notes	6.560%	174	–	–	174	6.560%	196	–	–	196
Bank overdrafts UK	–	77	77	–	–	–	–	–	–	–
Other bank overdrafts	11.937%	45	45	–	–	17.826%	52	52	–	–
Non-subordinated debentures	–	–	–	–	–	–	–	–	–	–
Finance lease liabilities	–	23	5	11	7	–	18	11	7	–
Total	**–**	**3,737**	**3,496**	**17**	**224**	–	**3,086**	**2,773**	**81**	**232**

29. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Expressed in million euro

	2000	2001
Less than one year	71	95
Between one and five years	241	328
More than five years	203	163
	515	**586**

The Group leases a number of warehouse and factory facilities under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the current year 47 million euro was recognised as an expense in the income statement in respect of operating leases (2000: 54 million euro).

Leases as lessor
The group leases out part of its property under operating leases. Non-cancellable operating lease rentals are receivable as follows:

Expressed in million euro	2000	2001
Less than one year	77	65
Between one and five years	286	266
More than five years	191	116
	554	**447**

During the current year 74 million euro (2000: 80 million euro) was recognised as rental income in the income statement.

30. CAPITAL COMMITMENTS

The Group has entered into contracts to purchase property, plant and equipment for 66 million euro (2000: 57 million euro).

31. CONTINGENCIES

The Group has received claims in the normal course of business, however has rejected most of the claims and an arbitration procedure is going on.

32. RELATED PARTIES

The Group has a related party relationship with its Associates (refer note 14) and with its Directors and Executive Officers.

Transactions with Directors and Executive Officers
Loans to Directors and Executive Officers, amounting to 3.9 million euro (2000: 3.6 million euro) are included in "other receivables" (refer note 16) of which, 3.2 million euro are interest bearing (2000: 2.6 million euro).

In addition to their salaries, the Group also provides non-cash benefits to Executive Committee members, and contributes to a post-employment defined benefit plan on their behalf. In accordance with the terms of the plan, Executive Committee members retire between the age of 60 and 65 and are entitled to receive annual payments ranging up to 70% of their salary (depending on the length of service in the Group) or a corresponding lump sum payment. In case of early retirement the annual payment is reduced based on actuarial calculations and the terms of the pension plan. Executive Officers also participate in the Group's share option program (refer note 25).

Total Directors and Executive Officers remuneration included in "Payroll and related benefits" (refer note 6):

Expressed in million euro	2000	2001
Directors	1	1
Executive officers	8	18
	9	**19**

Directors' payments consist mainly of Directors' fees (tantièmes).

In 2000, the Executive Management Committee was built up gradually over the year. In 2001, the Executive Management Committee was complete for the entire year, hence explaining the increase in expense.

Other related party transactions
Associates did not make material purchases of goods in 2000 and 2001 and accordingly no major trade receivables from Associates are outstanding at the balance sheet dates. Transactions with Associates are priced on an arm's length basis. Dividends were received from Associates for an amount of 29 million euro (2000: 18 million euro).

33. SUBSEQUENT EVENTS

On 1 February 2002, the Group acquired 80.02% of the shares in Brauerei Beck GmbH & Co. KG ("Beck & Co.") for a provisional purchase price of 1.7 billion euro. The remaining 19.98% of shares in Beck & Co. are held by a subsidiary of Beck & Co. A portion (0.96%) of this subsidiary is owned by minority shareholders. Hence, the Group acquired, directly and indirectly, 99.81% of the economic interest in Beck & Co. According to the purchase contract the provisional purchase price is subject to adjustments which will be determined within the next months. The acquisition will be accounted for using the purchase method of consolidation.

Beck & Co. is - directly or indirectly through subsidiaries - in the business of (i) brewing and marketing beer under the brand "Beck's" and other brands, (ii) producing and marketing non-alcoholic beverages and (iii) producing and marketing container glass.

The goodwill on the acquisition of Beck & Co., including the value of the brands acquired, is approximately 1.4 billion euro, subject to adjustments due to the final determination of purchase price and of the fair values of the assets and liabilities acquired. Goodwill and brands will be amortized over a period of 40 years.

Based on the figures currently available the acquisition will have the following impact on the Group's assets and liabilities.

AQUISITION BECK & CO.,BREMEN	Expressed in million euro Estimated impact
Intangibles (other than goodwill)	18
Property, plant and equipment	446
Investments	51
Inventories	65
Trade and other receivables	200
Cash and cash equivalents	26
Minority interest	(25)
Interest-bearing loans and borrowings	(36)
Provisions including employee benefits	(235)
Deferred tax liabilities (net)	(6)
Trade payables	(140)
Net identifiable assets and liabilities	364
Goodwill on acquisition	1.374
Provisional purchase price, paid in cash	1.738
Cash acquired	(26)
Net cash outflow	1.712

34. FUNCTIONAL INCOME STATEMENT

	Expressed in million euro 2001 IAS
Net turnover	**7,303**
Cost of sales	(3,593)
Gross profit	**3,710**
Distribution expenses	(807)
Sales expenses	(767)
Marketing expenses	(608)
Administrative expenses	(566)
Other operating income/expenses	(78)
Profit from operations	**884**
Net financing costs	(176)
Income from associates	67
Profit before taxes	**775**
Income tax expense	(179)
Profit after tax	**596**
Minority interest	(59)
Net profit from ordinary activities	**537**
Extraordinary items	161
Net profit for the year	**698**

35. GROUP 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 261.

(A) LIST OF MOST IMPORTANT CONSOLIDATED COMPANIES

Name, registered office and, for the companies governed by Belgian law, the V.A.T. number

Name and registered office	V.A.T. No	% of shareholding
BELGIUM		
INTERBREW S.A.		
Grand'Place 1 - 1000 Bruxelles	BE 417.497.106	Consolidating Company
BRASSERIE DE L'ABBAYE DE LEFFE S.A		
Place de l'Abbaye 1 - 5500 Dinant	BE 402.531.885	99
BROUWERIJ VAN HOEGAARDEN N.V		
Stoopkensstraat 46 - 3320 Hoegaarden	BE 421.085.413	100
COBREW N.V.		
Vaartstraat 98 - 3000 Leuven	BE 428.975.372	100
DE WOLF-COSYNS MALTINGS N.V.		
Gentsestraat 80 - Aalst	BE 400.291.482	100
IMMOBREW N.V.		
Industrielaan 21 - 1070 Brussel	BE 405.819.096	99.9
INTERBREW BELGIUM N.V.		
Industrielaan 21 - 1070 Brussel	BE 433.666.709	100
BOSNIA-HERZEGOVINA		
UNILINE d.o.o.		
Ivana Gunduliceva b.b. - 88340 Grude		59
BULGARIA		
KAMENITZA LTD		
Kap. Raitcho Street 95 - 4000 Plovdiv		83.6
PLEVENSKO PIVO AD		
5 Vit St - 5800 Pleven		94.6
CANADA		
LABATT BREWING COMPANY LTD		
Labatt House, Queen's Quay Terminal		
207 Queen's Quay West, Suite 299		
P.O. Box 133 - M5J 1A7 Toronto, Ontario		100
CHINA		
NANJING JINLING BREWERY COMPANY LTD		
408 Longpan Zhonglu - Nanjing		60
NANJING BREWERY COMPANY LTD		
Qi Li QIAO - 211800 Nanjing		80
CROATIA		
ZAGREBACKA PIVOVARA D.D.		
Ilica 224 - 10000 Zagreb		72
CZECH REPUBLIC		
PRAZSKE PIVOVARY A.S.		
Nadrazni 84 - 150 54 Praha 5 - Smichov		96.8

FRANCE	
AUXINDAL S.A.	
14 avenue Pierre Brossolette BP 9 - 59426 Armentières Cedex	100
INTERBREW FRANCE S.A.	
14 avenue Pierre Brossolette BP 9 - 59426 Armentières Cedex	100
GERMANY	
STAROPRAMEN PRAGER BIER GmbH	
Schwesswitzer Strasse - 06686 Lützen	96.8
DIEBELS GmbH	
Brauerei Diebels Strasse 1 - 47661 Issum	80
GRAND DUCHY OF LUXEMBOURG	
BRASSERIE DE LUXEMBOURG MOUSEL - DIEKIRCH	
1 Rue de la Brasserie - 9214 Diekirch	40.9
HUNGARY	
BORSODI SORGYAR Rt.	
Rackoczi UT 81 - 3574 Böcs	98.7
ROMANIA	
BIANCA INTERBREW BERGENBIER S.A.	
Str. Gh. Baritiu 30b - 3175 Blaj, Jud. Alba	70.7
CDN S.A.	
Av. M. Zorileanu Street 18 - District 1 - Bucarest	97.3
INTERBREW EFES BREWERY	
Gh. Gr. Cantacuzino str. 287 - 2000 - Ploiesti	50
PROBERCO S.A.	
Str. Fabricii 7 - 4800 Baia Mare	95.8
RUSSIA	
SUN INTERBREW LTD	
6 Vorontsovsky Park – 117630 Moscow	66
CJSC KLIN BREWING COMPANY	
28 Moscowskaya Street, Moscow region - 141600 Klin	66
ZAO ROSAR	
27a Solnechnaya Street - 644073 Omsk	52.8
SLOVAK REPUBLIC	
STAROPRAMEN SLOVAKIA s.r.o.	
Nitrianska 32 - 821 08 Bratislava	96.8
SOUTH KOREA	
ORIENTAL BREWERY COMPANY LTD	
18-12 Ulchi-ro 6Ka - Chung-Ku	
Seoul 100-730	50
THE NETHERLANDS	
INTERBREW NEDERLAND N.V.	
Ceresstraat 13 - 4811 CA Breda	100
INTERBREW INTERNATIONAL B.V.	
Ceresstraat 19 - 4811 CA Breda	100

U.S.A.	
LABATT USA INC. CT Corp.- 1209 Orange Street Wilmington, DE 19801	70
LATROBE BREWING COMPANY CT Corp.- 1209 Orange Street Wilmington, DE 19801	70
UKRAINE	
CJSC CHERNIHIV BREWERY DESNA 20 Instrumentalnaya Street - Chernigiv	47.6
OJSC "MYKOLAIV" BREWERY "YANTAR" 320 Yantarna Street - 327050 Nykolayev	35
OJSC BREWERY ROGAN 161 Roganskaya Street - 61161 Kharkiv	57
UNITED KINGDOM	
BASS BEERS WORLDWIDE LTD 14 Dominion Street - EC2M 2TQ London	100
BASS HOLDINGS LTD New Bass House, 137 High Street - DE 14 1JZ Burton-on-Trent	100
INTERBREW UK LTD - BREWERY Porter Tun House, 500 Capability Green - Luton	100
YUGOSLAVIA	
TREBJESA BREWERY 29 Novembra 18 - 81400 Niksic	72.6

(B) LIST OF MOST IMPORTANT COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

Name and registered office	% of shareholding
MEXICO	
FEMSA CERVEZA S.A. de C.V. Ave. Alfonso Reyes 2202 – Monterrey	30
UNITED KINGDOM	
GROLSCH UK LIMITED 137 High Street - DE14 1JZ Burton-on-Trent	49
TRADETEAM LIMITED The Merton Centre, 45 St. Peter's Street - MK40 2UB Bedford	49

36. ABBREVIATED NON CONSOLIDATED ACCOUNTS OF INTERBREW SA

The following documents are extracts of the statutory annual accounts of Interbrew SA prepared under Belgian GAAP. The management report of the Board of Directors to the General Assembly of Shareholders and the annual accounts of Interbrew SA/NV, as well as the Auditors' Report, will be filed with the National Bank of Belgium within the statutory periods. These documents are available on request from: Interbrew SA/NV, Vaartstraat 94, 3000 Leuven.

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 SA 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 105 of the Company Code, deemed it advisable to publish only an abbreviated version of the annual financial statements, as at and for the year ended December 31, 2001, namely:

- the Balance Sheet;
- the Income Statement;
- the Valuation Rules;
- the State of Capital.

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Interbrew NV/SA for the year ended 31 December 2001 give a true and fair view of the financial position and results of the company in accordance with all legal and regulatory dispositions.

NON-CONSOLIDATED BALANCE SHEET

Expressed in million euro	2001	2000
ASSETS		
Fixed assets	**4,882**	**4,283**
Tangible assets	–	–
Financial assets	4,882	4,283
Current assets	**250**	**757**
Total assets	**5,132**	**5,040**
LIABILITIES		
Capital and reserves	**4,686**	**4,536**
Capital	332	329
Share premium	3,209	3,195
Legal reserve	33	33
Reserves not available for distribution	1	1
Tax-exempt reserves	4	4
Reserves available for distribution	260	260
Profit carried forward	847	714
Provisions for liabilities & deferred taxes	**2**	**2**
Creditors	**444**	**502**
Amounts payable after more than one year	314	326
Amounts payable within one year, accrued charges and deferred income	130	176
Total liabilities	**5,132**	**5,040**

NON-CONSOLIDATED INCOME STATEMENT

	2001	2000
	Expressed in million euro	
Operating Income	153	73
Operating result	**(18)**	**(27)**
Financial result	**152**	**(70)**
Extraordinary result	**–**	**(17)**
Income taxes	**–**	**–**
Result after taxes	**134**	**(114)**
Net result for the year		
Available for appropriation	**134**	**(114)**

SUMMARY OF MOST SIGNIFICANT VALUATION RULES

The Board of Directors made the following decision in accordance with article 15 of the Royal Decree of 8 October 1976 on the annual accounts of the company:

Tangible and intangible fixed assets
The fixed assets are recorded as an asset in the annual accounts at acquisition value, including the additional costs.

The percentages and methods used for the amortization are those agreed with the tax authorities. The additional costs are added to the fixed assets they are related to, and are amortized at the same rate.

Financial fixed assets
The participations, without the additional costs, are recorded as an asset in the annual accounts at acquisition value.

Corrections are booked in case of permanent value deterioration.

Provision for risks and costs
Provisions are recorded at nominal value.

Foreign currency
Transactions in foreign currency are converted taking into account the exchange rate of the day of the transaction. Monetary assets and liabilities in foreign currency are converted at balance sheet date rate. The exchange rate differences arising from this conversion are reflected in the income statement.

Other
The company has capital commitments in favour of branches that will redeem when certain conditions are fulfilled.

STATE OF CAPITAL

CAPITAL

	Amounts in thousands of euro	Number of shares
Issued capital		
At the end of the previous year	329,363	427,404,010
Changes during the year	2,866	3,721,952
	332,229	431,125,962
Capital representation		
Shares without par value	332,229	431,125,962
Registered or bearer shares	–	–
Registered	N/A	251,335,304
Bearer	N/A	179,790,658

COMMITMENTS TO ISSUE SHARES

	Amounts in thousands of euro	Number of shares
Pursuant to subscription rights		
Amount of subscription rights outstanding	–	8,554,415
Amount of capital to subscribe	6,587	–
Maximum number of corresponding shares to be issued	–	8,554,415

AUTHORIZED, UNISSUED CAPITAL

	Amounts in thousands of euro
	163,571

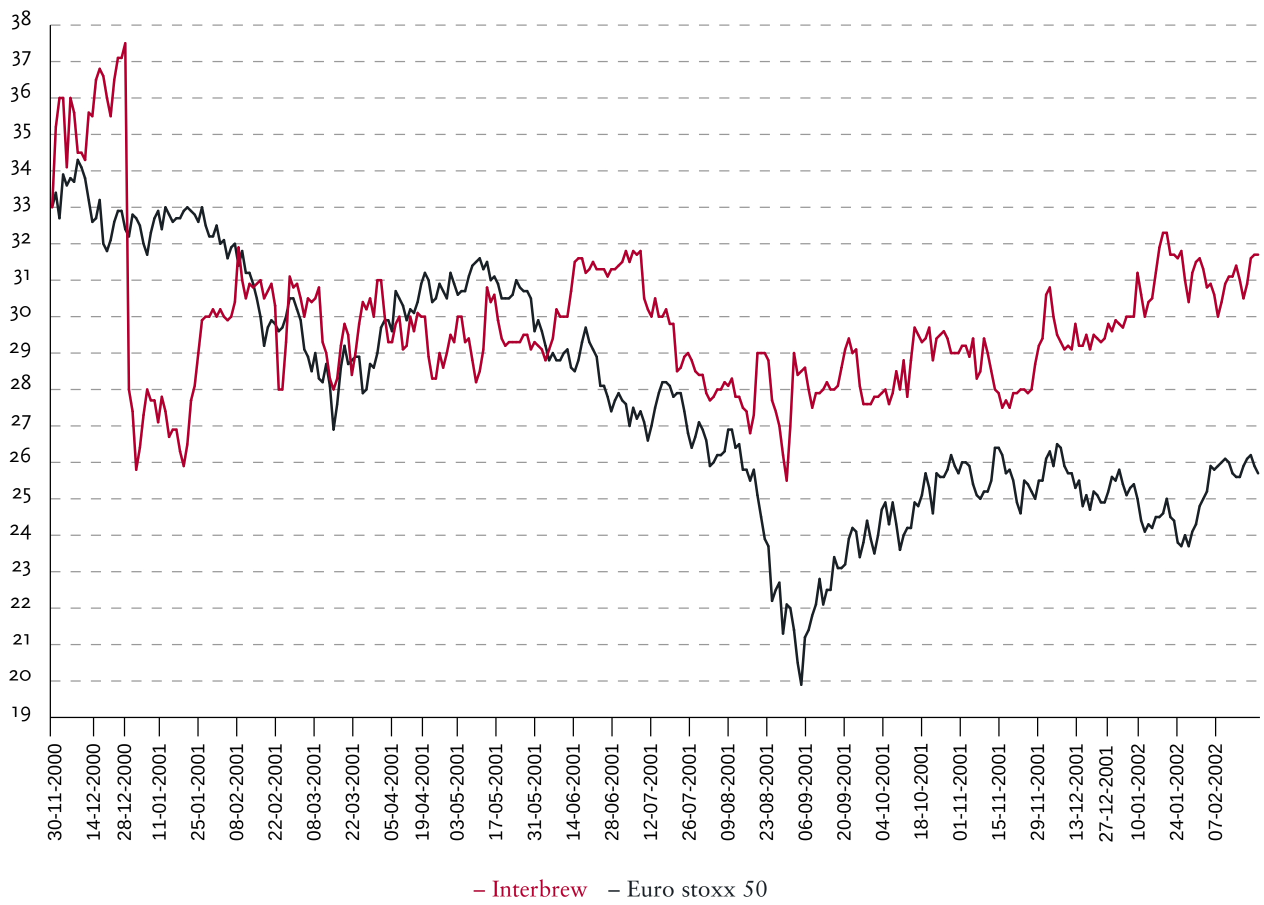
Information to our Shareholders

Earnings, dividends, share and share price

	2001 IAS	2000 IAS	2000	1999	1998	1997
Adjusted net profit per share (1) (2) (euro)	1.44	1.04	1.21	0.82	0.69	0.51
Dividend per share (1) (euro)	0.29	0.21	0.21	0.18	0.15	0.12
Average Number of Shares (in millions)	429	335	333	323	322	322
Fully Diluted Number of Shares (in millions)	434	343	436	332	336	338
Share Price High (euro)	37.5	38.1	38.1	N/A	N/A	N/A
Share Price Low (euro)	25.5	34.0	34.0	N/A	N/A	N/A
Year-end Share Price (euro)	30.75	37.12	37.12	N/A	N/A	N/A

(1) Adjusted for stock splits
(2) Net profit (share of the group) (before extraordinary Bass goodwill impairment) plus amortization of goodwill, divided by the number of shares outstanding

INTERBREW SHARE PRICE EVOLUTION COMPARED TO DOW JONES EURO STOXX 50



Financial Calendar

PUBLICATION OF THE 2001 RESULTS

In line with Interbrew's commitment to equivalence of information for all shareholders, the presentation of the full-year 2001 results to sell-side analysts was webcasted live on Interbrew's website www.interbrew.com on 13th March 2002 at 15.00 CET (09.00 New York time). The webcast will remain accessible in the video archive.

PUBLICATION OF 2001 ANNUAL REPORT AND GENERAL SHAREHOLDERS MEETING

On 25th March 2002, Interbrew's Annual Report 2001 and Statistical Review 1996-2001 are available on www.interbrew.com. A printed version of the annual report is available from 12th April 2002.
On 30th April 2002, Interbrew will hold its General Shareholders Meeting, followed by a press briefing.

DIVIDEND PAYMENT

Interbrew will pay its dividend to shareholders on 2nd May 2002.

FUTURE FINANCIAL RESULTS COMMUNICATIONS

On 4th September 2002, Interbrew's half-year 2002 results will be published.
On 28th October 2002, Interbrew will publish its 9 months trading update.
On 12th March 2003, Interbrew's full-year 2002 results will be published.

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