Financial Report

Management report

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

Main transactions in 2005 and 2004, highlighting changes in scope

A number of acquisitions, divestitures and joint ventures affected InBev's profit from operations and financial condition over the past two years. The main transactions are highlighted hereafter.

Transactions 2005

During the year 2005 InBev purchased significant minority shareholdings in several subsidiaries for a total cash consideration of 1 580m euro. As the related subsidiaries (with the exception of Quilmes) were already fully consolidated, the purchases did not impact InBev's profit, but reduced the minority interests and thus impacted the profit attributable to equity holders of InBev.

The impact of the minority purchases on InBev's economic interest in the related subsidiaries can be summarized as follows:

Majority interest	31 December 2005	31 December 2004
AmBev Brazil	56.57 %	50.27 %
Zhejiang Zhedong Brewery (KK), China	100.00 %	70.00 %
Sun Interbrew, Russia	99.80 %	76.00 %
InBev Germany Holding GmbH, Bremen	97.82 %	87.18 %
Quilmes, Argentina	32.10 %	24.07 %

In August 2005 InBev closed the acquisition of 100 % of the Tinkoff brewery in St. Petersburg, Russia for a total cash consideration of 77m euro. Costs directly attributable to the combination represent 1m euro. The Tinkoff goodwill of 68m euro is justified by i) the immediate alleviation of existing short-term capacity constraints which InBev has faced in Russia, ii) the fact that Tinkoff complements InBev's winning brand portfolio in Russia by adding the leading Russian brand in the fast-growing and highly profitable super-premium segment and iii) further expected growth as a result of leveraging InBev's existing nationwide sales and distribution network.

Transactions 2004

Creation of InBev
On 3 March 2004, Interbrew and Companhia de Bebidas das Américas ("AmBev") announced their intention to establish InBev, the World's Premier Brewer. The transaction combined Interbrew, the world's third largest brewer with sales in over 130 countries, and AmBev, the world's fifth largest brewer with approximately 65 % of the Brazilian market. At the time of the transaction, InBev had a global market share of approximately 13 % and held the number one or two positions in more than 20 key beer markets. The transaction closed on 27 August 2004. InBev's 2004 consolidated results included 4 months (September to December) of AmBev's results.

Femsa settlement
On 24 May 2004, InBev and Fomento Economico Mexicana SA de CV ("Femsa") announced the unwinding of their U.S. and Mexican cross-shareholdings, as well as the reassignment of the distribution rights held by the parties' U.S. joint venture to a U.S. subsidiary of the Mexican brewer. Labatt U.S.A. continued to distribute the CCM brands in the United States for a transitional period of four months after closing of the transaction under a temporary exclusive distributor agreement. The transaction was completed on 31 August 2004. InBev's 2004 consolidated results included 8 months of Femsa's results (share of result of associates and management fee) as well as a non-recurring business disposal gain of 488m euro.

Acquisition of additional stake in Oriental Brewery

In January 2004, following the exercise of a put option, InBev increased its stake in its South Korean affiliate by the acquisition of 100 % of the shares of HOPS Cooperatieve U.A., which held 44.16 % of Oriental Brewery. This transaction increased the majority shareholding in Oriental Brewery to 95.08 % which had a positive effect on the profit attributable to equity holders of InBev.

Acquisition of Zhejiang Shiliang Brewery Company Ltd.

In June 2004 InBev acquired a 70 % controlling interest in Zhejiang Shiliang Brewery Company Ltd., located in the Yangtze Delta. This transaction strengthened InBev's number one position in the Zhejiang province of China where, by adding over 2m hl in sales volume, the company had a market share of close to 50 %. The transaction closed in July 2004 and InBev's 2004 consolidated results included six months of Zhejiang Shiliang's results.

Acquisition of Sun Trade holding in Sun Interbrew Ltd.

On 12 August 2004, InBev and Sun Trade (International) Ltd., the controlling shareholders of Sun Interbrew Ltd., announced that they had reached an agreement whereby InBev acquired Sun Trade (International) Ltd.'s voting and economic interests in Sun Interbrew. In addition, the existing Shareholders Agreement between Sun Trade (International) Ltd. and InBev in relation to Sun Interbrew was terminated. The consideration for the acquisition of the shares and the termination of the Shareholders Agreement consisted of 20 000 111 InBev shares. On completion, and taken into consideration market purchases, InBev owned 75.5 % of the voting shares and 96.1 % of the non-voting shares in Sun Interbrew which in total gave it a 91.2 % economic interest in Sun Interbrew. Following completion of the transaction, Sun Trade (International) Ltd. and its affiliates held approximately 3.4 % of InBev's enlarged issued share capital following the closing of the AmBev transaction.

Acquisition of Alfa-Eco holding in Sun Interbrew Ltd.

On 3 January 2005, InBev announced that it had reached an agreement with Alfa-Eco on 31 December 2004, whereby InBev acquired all of Alfa-Eco's holding of voting and non-voting shares in Sun Interbrew Ltd. On completion of this and the previously announced transaction with Sun Trade (International) Ltd., and taken into consideration market purchases, InBev owned 97.3 % of the voting shares and 98.8 % of the non-voting shares in Sun Interbrew Ltd., which in total gave it a 98.5 % economic interest in Sun Interbrew Ltd. As a result of this transaction, InBev incurred a 100m euro non-recurring impairment charge in 2004.

InBev and Sun Trade agree amended terms for purchase of Sun Trade holding in Sun Interbrew

InBev and Sun Trade (International) Ltd. announced on 10 January 2005 amendments to the agreement between them announced on 12 August 2004 with regard to InBev's purchase of Sun Trade (International) Ltd.'s holding of voting and non-voting shares in Sun Interbrew Ltd. The consideration to be received by Sun Trade (International) Ltd. had been altered by mutual agreement from 20 000 111 InBev shares to 12 500 001 InBev shares and a cash payment, based on the InBev average share price in the 25 trading days ending two business days prior to closing of the transaction, in respect of the 7 500 110 shares foregone. Following completion of the transaction, Sun Trade (International) Ltd. and its affiliates held approximately 2 % of InBev's enlarged issued share capital. This transaction, together with the aforementioned Alfa-Eco transaction, closed on 31 January 2005.

Completion minority buy out Sun Interbrew Ltd.

On 26 May 2005, InBev closed its offer to acquire the remaining minority interests in Sun Interbrew Ltd. As a result, InBev now owns a 99.8 % economic interest in Sun Interbrew Ltd.

Events after the balance sheet date

Please refer to note 33 of the consolidated financial statements.

Selected financial figures

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

Million euro	2005	%	2004 [1]	%
Revenue [2]	**11 656**	**100.0**	8 568	100.0
Cost of sales	(5 082)	43.6	(3 992)	46.6
Gross profit	**6 574**	**56.4**	4 576	53.4
Distribution expenses	(1 362)	11.7	(950)	11.1
Sales and marketing expenses	(1 948)	16.7	(1 543)	18.0
Administrative expenses	(957)	8.2	(730)	8.5
Other operating income/(expenses)	132	1.1	(98)	1.1
Normalized profit from operations (Normalized EBIT)	**2 439**	**20.9**	1 255	14.6
Non-recurring items	(241)	2.1	59	0.7
Profit from operations (EBIT)	**2 198**	**18.9**	1 314	15.3
Normalized profit attributable to equity holders of InBev	**1 024**	**8.8**	621	7.2
Profit attributable to equity holders of InBev	**904**	**7.8**	719	8.4
Depreciation, amortization and impairment	**(934)**	**8.0**	(799)	9.3
Goodwill amortization and impairment	**-**	**-**	(216)	2.5
Normalized EBITDA	**3 339**	**28.6**	2 116	24.7
EBITDA	**3 132**	**26.9**	2 329	27.2
Normalized ROIC [3]	11.3 %		13.3 %	
ROIC [3]	10.3 %		15.0 %	

Note: whenever used in this document, the term "normalized" refers to performance measures (EBITDA, EBIT, Profit, ROIC, EPS) before non-recurring items. Non-recurring items are items of income or expense which do not occur regularly as part of the normal activities of the company and which warrant separate disclosure because they are important for the understanding of the underlying results of the company due to their size or nature. InBev believes that the communication and explanation of normalized measures is essential for readers of its financial statements to understand fully the sustainable performance of the company. Normalized measures are additional measures used by management and should not replace the measures determined in accordance with IFRS as an indicator of the company's performance.

1 2004 as published, restated for the impact of the adoption of IFRS 2 *Share-based Payment* (reduction of profit attributable to equity holders of InBev by 9m euro) and for the impact of the early adoption of the IAS 19 *Employee Benefits* option to recognize actuarial gains and losses in full in the period in which they occur in the statement of recognized gains and losses (increase of profit attributable to equity holders of InBev by 9m euro).

2 Turnover less excise taxes. In many jurisdictions, excise taxes make up a large proportion of the cost of beer charged to our customers.

3 See Glossary.

Financial performance

Volumes

The table below shows worldwide sales volumes by zone and country. 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 sold by the global export business are shown separately.

Million hectoliters	2005	2004
North America		
Canada	9.1	9.4
U.S.A.	4.7	6.8
Cuba	0.9	0.8
	14.7	**17.0**
Latin America		
Quinsa	14.2	4.9
Brazil Beer	62.4	23.8
Brazil Softdrinks	20.3	7.7
Dominican Republic	1.4	0.5
Ecuador	0.3	0.1
Guatemala	0.4	0.1
Peru	2.4	0.8
Venezuela	2.2	0.8
	103.5	**38.7**
Western Europe [1]		
United Kingdom	12.3	12.6
Belgium	6.3	6.4
Netherlands	2.4	2.6
France	2.4	2.4
Luxemburg	0.2	0.2
Germany	12.2	10.4
Italy	1.4	1.0
Export & licenses	4.2	3.7
	41.4	**39.3**
Central & Eastern Europe		
Central Europe		
Hungary	2.2	2.3
Bulgaria	1.4	1.4
Croatia	1.6	1.6
Romania	2.6	2.2
Serbia-Montenegro	3.4	3.6
Bosnia	-	0.1
Czech Republic	2.6	2.6
	13.8	**13.8**
Eastern Europe		
Russia	15.7	13.0
Ukraine	8.6	7.5
	24.3	**20.5**
	38.1	**34.3**
Asia Pacific		
South Korea	7.2	7.5
China	16.3	14.7
Licenses	0.6	-
	24.0	**22.2**
Global exports	**1.8**	**2.2**
Total (excluding pro rata share of associates)	**223.5**	**153.7**
Pro rata share of associates (full year) [2]	**-**	**8.4**
Total	**223.5**	**162.1**

The above table only includes AmBev volumes starting August 2004 (date of combination with Interbrew).

1 Includes subcontracting /commercial products: 5.0m hectoliters in 2005 and 4.9m hectoliters in 2004.
2 Includes Femsa volumes for 8 months in 2004.

On a comparable basis (AmBev 12 months for 2004 – pro forma) the evolution of volumes in 2005 was as follows:

In 000 hl	2004 pro forma[1]	Acquisitions/ divestitures	Organic growth	2005	Organic growth %
North America	17 011	(2 206)	(166)	14 639	(1.1) %
Latin America	95 333	1 038	7 162	103 533	7.5 %
Western Europe	39 277	2 701	(529)	41 450	(1.4) %
Central & Eastern Europe	34 249	108	3 663	38 021	10.7 %
Asia Pacific	22 241	830	977	24 048	4.4 %
Global Export & Holding Companies	2 198	(495)	110	1 813	9.4 %

Total consolidated volume grew organically by +5.4 % in 2005 versus 2004 (beer +5.7 %; soft drinks +4.1 %).

In North America volumes finished lower organically by (1.1) %. In 2005, volumes shipped in the USA declined by (2.7) %, although depletions were only down by (1.5) % leading to a reduction in inventory levels in the trade. Canadian volume growth was (0.9) %, impacted by aggressive pricing of competitors in the marketplace, particularly in 4Q05.

Our Latin American businesses delivered a good performance, with organic volume growth of +7.5 % for 2005 (beer + 8.0 %; soft drinks +6.2 %). Brazil achieved beer volume growth of +8.0 %, growing in each quarter against increasingly difficult comparable bases from 2004. Our beer market share reached 68.3 % in comparison to 66.2 % in 2004. Organic beer volume growth was realized in nearly every operation in Latin America, with Quinsa's volumes up by +12.8 %, while our other Latin American countries provided 11.9 % organic beer volume growth (note that this does not include the first year contributions of beer volumes in the Dominican Republic and Peru).

Reflecting continuing tough trading conditions, in Western Europe organic volume growth for 2005 came in at a very weak (1.4) %. Although declining for the full year, our volume performance was less weak during the second half of the year (1H05 volumes declined by (3.7) % yoy while 2H05 volumes grew by +0.8 % yoy). Our UK business was able to partly recover from a very poor 2Q05 (volumes (11.0) %) with nearly flat organic volumes in the second half, resulting in (4.8) % organic volume growth for 2005. While German 2005 total beer volumes were flat at (0.1) %, our branded volumes increased organically by +6.6 %. Our volumes in Belgium ended lower by (1.1) % for 2005, as we managed to slightly increase our leadership position in a declining market.

Sustained, high volume growth in the Ukraine, Russia, Romania and Bulgaria on the back of market share gains, combined with limited volume reduction in Hungary and Croatia, led to organic volume growth of +10.7 % in Central and Eastern Europe for 2005.

After a difficult 1Q05, good volume growth in the following quarters resulted in China volumes up by +9.9 % in 2005. This performance more than compensated for the (4.9) % decline in South Korea which was impacted by overall market weakness, although our business stabilized its market share for the first time in 12 years. Consolidated sales volumes in Asia Pacific ended up being +4.4 % higher organically vs. 2004.

Impact of foreign currencies

Foreign currency exchange rates have a significant impact on our financial statements. In 2005, 27.9 % (2004 – 11.4 %) of our revenue was realized in Brazilian reals, 10.7 % (2004 – 13.8 %) in Canadian dollar, 10.2 % (2004 – 14.0 %) in pound sterling, 5.7 % (2004 – 6.2 %) in Russian ruble, 4.0 % (2004 – 4.9 %) in South Korean won, 3.7 % (2004 – 7.25 %) in US dollar, and 3.7 % (2004 – 1.6 %) in Argentinean peso.

The fluctuation of the foreign currency rates had a positive translation impact on our 2005 revenue of 660m euro, EBITDA of 283m euro and profit from operations of 241m euro.

Our profit has been positively affected by the fluctuation of foreign currencies for 153m euro and our EPS base (profit attributable to equity holders of InBev) by 87m euro or 0.14 euro per share.

1 2004 pro forma figures include 12 months AmBev.

The impact of the fluctuation of the foreign currencies on our net debt is 693m euro (increase of net debt) and on our equity is 1 609m euro (increase of equity).

Operating activities by zone

The tables below provide a summary of the performance of each geographical zone.

InBev Worldwide	2004 pro forma [1]	Acquisitions/ divestitures	Currency translation	Organic growth	2005	Organic growth %
Volumes	210 310	1 977	-	11 217	223 504	5.4 %
Revenue	10 244	28	660	724	11 656	7.2 %
Cost of sales	(4 705)	16	(234)	(159)	(5 082)	(3.5) %
Gross profit	5 540	44	426	565	6 574	10.4 %
Distribution expenses	(1 137)	(29)	(77)	(119)	(1 362)	(10.6) %
Sales & marketing expenses	(1 754)	(42)	(74)	(78)	(1 948)	(4.6) %
Administrative expenses	(865)	(13)	(42)	(37)	(957)	(4.3) %
Other operating income/(expenses)	(156)	236	12	41	133	51.9 %
Normalized EBIT	1 628	196	244	371	2 439	20.4 %
Normalized EBITDA	2 676	(23)	285	401	3 339	15.3 %

North America	2004	Acquisitions/ divestitures	Currency translation	Organic growth	2005	Organic growth %
Volumes	17 011	(2 206)	-	(166)	14 639	(1.1) %
Revenue	1 852	(187)	70	(2)	1 733	(0.1) %
Cost of sales	(780)	113	(19)	16	(670)	2.4 %
Gross profit	1 072	(74)	52	14	1 064	1.4 %
Distribution expenses	(238)	-	(14)	(4)	(257)	(1.8) %
Sales & marketing expenses	(364)	41	(8)	22	(309)	6.9 %
Administrative expenses	(111)	-	(5)	19	(97)	17.0 %
Other operating income/(expenses)	(53)	35	-	6	(12)	32.8 %
Normalized EBIT	305	2	25	57	389	18.6 %
Normalized EBITDA	430	(48)	29	66	477	17.4 %

Latin America	2004 pro forma [1]	Acquisitions/ divestitures	Currency translation	Organic growth	2005	Organic growth %
Volumes	95 333	1 038	-	7 162	103 533	7.5 %
Revenue	2 881	49	547	470	3 947	16.3 %
Cost of sales	(1 198)	(23)	(201)	(115)	(1 537)	(9.6) %
Gross profit	1 684	26	346	355	2 410	21.1 %
Distribution expenses	(306)	(7)	(58)	(68)	(440)	(22.3) %
Sales & marketing expenses	(329)	(23)	(55)	(38)	(446)	(11.6) %
Administrative expenses	(213)	(2)	(35)	(1)	(251)	(0.5) %
Other operating income/(expenses)	(92)	68	10	63	49	267.1 %
Normalized EBIT	744	62	207	310	1 323	38.1 %
Normalized EBITDA	1 032	(4)	239	310	1 577	30.0 %

1 2004 pro forma figures include 12 months AmBev.

Western Europe	2004	Acquisitions/ divestitures	Currency translation	Organic growth	2005	Organic growth %
Volumes	39 277	2 701	-	(529)	41 450	(1.4) %
Revenue	3 464	202	(10)	14	3 669	0.4 %
Cost of sales	(1 613)	(85)	6	13	(1 679)	0.8 %
Gross profit	1 850	117	(4)	27	1 990	1.4 %
Distribution expenses	(396)	(19)	1	(3)	(418)	(0.9) %
Sales & marketing expenses	(695)	(60)	1	14	(740)	2.0 %
Administrative expenses	(289)	(9)	1	7	(290)	2.5 %
Other operating income/(expenses)	(131)	66	1	(40)	(104)	(60.1) %
Normalized EBIT	340	95	(1)	5	439	1.3 %
Normalized EBITDA	695	52	(1)	5	751	0.7 %

Central & Eastern Europe	2004	Acquisitions/ divestitures	Currency translation	Organic growth	2005	Organic growth %
Volumes	34 249	108	-	3 663	38 021	10.7 %
Revenue	1 253	11	6	198	1 468	15.9 %
Cost of sales	(663)	(19)	(1)	(54)	(737)	(8.0) %
Gross profit	590	(8)	5	144	731	24.9 %
Distribution expenses	(143)	(2)	-	(42)	(187)	(29.4) %
Sales & marketing expenses	(196)	(1)	(2)	(44)	(243)	(22.4) %
Administrative expenses	(81)	(4)	(1)	(22)	(107)	(25.7) %
Other operating income/(expenses)	(46)	7	-	(10)	(49)	(26.8) %
Normalized EBIT	124	(8)	1	27	145	22.5 %
Normalized EBITDA	269	(11)	2	51	311	19.6 %

Asia Pacific	2004	Acquisitions/ divestitures	Currency translation	Organic growth	2005	Organic growth %
Volumes	22 241	830	-	977	24 048	4.4 %
Revenue	642	32	47	27	747	4.1 %
Cost of sales	(333)	(20)	(20)	(5)	(379)	(1.5) %
Gross profit	308	12	27	22	369	6.9 %
Distribution expenses	(53)	(1)	(5)	(2)	(61)	(4.0) %
Sales & marketing expenses	(119)	(2)	(10)	(14)	(144)	(11.6) %
Administrative expenses	(42)	-	(2)	(6)	(49)	(14.4) %
Other operating income/(expenses)	(49)	48	2	22	23	1 999.3 %
Normalized EBIT	46	57	13	22	138	21.6 %
Normalized EBITDA	163	11	17	16	207	9.6 %

Global Export & Holding Companies	2004	Acquisitions/ divestitures	Currency translation	Organic growth	2005	Organic growth %
Volumes	2 198	(495)	-	110	1 813	9.4 %
Revenue	152	(79)	-	17	91	24.6 %
Cost of sales	(117)	50	-	(15)	(82)	(22.3) %
Gross profit	35	(28)	-	3	9	53.9 %
Distribution expenses	-	(1)	-	1	-	83.8 %
Sales & marketing expenses	(51)	4	-	(19)	(66)	(41.0) %
Administrative expenses	(129)	1	(1)	(34)	(163)	(26.9) %
Other operating income/(expenses)	215	12	-	-	226	0.1 %
Normalized EBIT	69	(12)	(1)	(50)	6	(90.1) %
Normalized EBITDA	87	(24)	(1)	(48)	15	(76.8) %

Revenue

Consolidated revenue was 11 656m euro in 2005. Organically, InBev's revenue increased by +7.2 % (up 724m euro), primarily due to the following revenue management initiatives:

- pricing in Latin America, especially in Brazil, in line with our strategy to keep prices to consumers stable in real terms and increased sales volumes through direct distribution;
- increased revenue/hl in Central & Eastern Europe, mainly driven by Ukraine and Romania;
- China and South Korea realized higher revenue/hl, helped by proportionally more premium volumes in China and increasing our stake of the margin pool in South Korea;
- an overall improvement in our sales mix, as evidenced by growth of our global brands.

As a result of these and other factors, revenue per hl was 52.2 euro in 2005 versus 48.7 euro in 2004. This improvement was achieved in spite of a changing geographical mix, which has an estimated negative organic impact of 1.2 euro/hl.

Cost of sales

The consolidated cost of sales was 5 082m euro for 2005, an organic increase of 3.5 % (up by 159m euro). During the year, InBev's cost of sales was positively impacted by several on-going initiatives aimed to increase efficiency across all of its breweries, as well as by projects designed to improve procurement. Cost of sales per hl was 22.7 euro for 2005 against 22.4 euro in 2004. Including the positive impact of the change in the geographical mix of an estimated 0.4 euro/hl at the cost of sales level, costs ended growing below inflation, which, when combined with top line growth, led to organic gross margin expansion of 158bp yoy.

Operating expenses

Operating expenses totaled 4 135m euro in 2005, an organic increase of +5.4 % (or 194m euro) compared to 2004.

The organic increase in distribution expenses of 119m euro (-10.6 %) is the result of increased direct distribution in Latin America, mainly in Brazil, as well as higher logistics costs in Central & Eastern Europe. Sales and marketing expenses were up by 78m euro (-4.6 %), and administrative expenses increased by 37m euro (-4.3 %). The increase in sales and marketing expenses reflects our strategy to invest in the top line of our business, behind winning brands and sales execution. The increase in administrative expenses reflects higher costs related to severance payments incurred in the normal course of business, therefore not included in non-recurring items, several corporate projects, and accruals for share-based compensation and bonus, as well as the impact of some cost reclassification within Central and Eastern Europe.

Other operating income/expenses improved organically by 41m euro (+52.0 %), driven primarily by (1) a 63m euro improvement in Latin America, mainly explained by release of provisions for non-income taxes, and (2) a 22m euro increase in Asia Pacific, mainly due to the reversal of a provision and the favorable outcome of a claim, which were partly offset by (3) a decrease of 40m euro in Western Europe due to less profits on fixed assets disposals and lower additions to provisions.

The amount included in acquisitions/divestitures for other operating income/expenses of 236m euro is due to the change in the IFRS accounting principles applicable as from 2005, which no longer allow for amortization of goodwill; InBev had 232m euro of goodwill amortization in 2004 (pro forma).

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

Normalized EBITDA for 2005 totaled 3 339m euro and grew +15.3 % (up 401m euro), organically.

- EBITDA was 477m euro in North America (+17.4 % / up 66m euro), mainly due to solid performance in managing both fixed and variable costs.
- Latin America delivered 1 577m euro (+30.0 % / up 310m euro) EBITDA, mainly through an increased gross profit (operating leverage), combined with higher other operating income.
- Western Europe EBITDA came in at 751m euro (+0.7 % / up 5m euro), reflecting a modest profit growth despite a volume decline.
- Central & Eastern Europe generated 311m euro (+19.6 % / up 51m euro) of EBITDA due to a strong volume performance, which more than offset higher operating expenses.
- Asia Pacific reached 207m euro EBITDA (+9.6 % / up 16m euro), due to a combination of increased gross profit and other operating income, partly offset by higher sales and marketing and administrative expenses.
- The EBITDA of Global Export & Holding Companies was 15m euro (-76.8 % / down 48m euro), due primarily to increased sales and marketing expenses, as well as increased administrative expenses related to severance payments incurred in the normal course of business, therefore not included in non-recurring items, several corporate projects, and accruals for share-based compensation and bonus.

The key metric of EBITDA margin expanded to 28.6 % in 2005 from 26.1 % in 2004 pro forma.

Profit

Normalized profit attributable to equity holders of InBev was 1 024m euro (normalized EPS 1.71 euro) in 2005.
Reported profit for the year was also impacted by the following:

- Currency translation: positive impact of 244m euro at EBIT level
- Change due to acquisitions/divestitures: positive impact of 196m euro at EBIT level, mainly due to the fact that goodwill is no longer amortized
- Net financing costs: 451m euro
- Share of result of associates: (1)m euro
- Income tax expense: 391m euro and an effective tax rate of 21.8 %
- Non-recurring gain on sale of investment securities: 47m euro which is the net capital gain arising from the sale of InBev's minority interest in the Spanish brewer Damm
- Profit attributable to minority holders: 498m euro mainly in Latin America and Canada

Return on invested capital

Return on invested capital (ROIC) is calculated as profit from operations after tax, plus share of result of associates and dividend income from investments in equity securities, divided by the invested capital; prorated for acquisitions of subsidiaries done during the year. Invested capital consists of property, plant and equipment, goodwill and intangible assets, investments in associates and equity securities, working capital, provisions, employee benefits and deferred taxes. The normalized return on invested capital excludes the effect of the non-recurring items.

The decrease in the (normalized) ROIC between 2004 and 2005 is for a significant part explained by the 2005 purchases of minority interests, leading to additional goodwill of 1 989m euro - see also note 13 *Goodwill*. If we exclude the effect of the minority purchases, the 2005 normalized ROIC would be 12.8 % instead of 11.3 %. In addition, the appreciation of the Brazilian real (23.6 % versus 2004), the Canadian dollar (16.4 % versus 2004) and the South Korean won (16.0 % versus 2004), also had a negative impact on the 2005 ROIC.

Non-recurring items

Execution biggest to best strategy

The 2005 execution of InBev's Biggest to Best strategy resulted in a net non-recurring charge to profit from operations of 241m euro. This charge relates primarily to organizational alignments in Western Europe, South Korea, Serbia-Montenegro and at the global headquarters.

The changes aim to create clear responsibilities and to eliminate overlapping or duplicated processes and activities across functions and zones, taking into account the right match of employee profiles with the new organizational requirements. The outcome should be a stronger focus on InBev's core activities, cost savings, which should in turn result in added value, quicker decision-making and improvements to efficiency, service and quality.

The following non-recurring items are included in our EBITDA, our profit from operations and our profit attributable to equity holders of InBev:

EBITDA	2005	2004
Normalized EBITDA	3 339	2 116
Business disposal	16	473
Restructuring and integration charges	(223)	(165)
Other, principally charge relating to the transaction with Alfa-Eco	-	(95)
	3 132	**2 329**

Profit from operations	2005	2004
Normalized profit from operations (EBIT)	2 439	1 255
Business disposal	16	473
Restructuring and integration charges	(223)	(165)
Impairment losses (restructuring)	(34)	(73)
Impairment of assets (other)	-	(81)
Other, principally charge relating to the transaction with Alfa-Eco	-	(95)
	2 198	**1 314**

Profit attributable to equity holders of InBev	2005	2004
Normalized profit attributable to equity holders of InBev	1 024	621
Business disposal	16	405
Restructuring and integration charges (including restructuring impairment)	(136)	(140)
Impairment of assets (other)	-	(68)
Other, principally charge relating to the transaction with Alfa-Eco	-	(99)
	904	**719**

Details on the nature of the non-recurring items are disclosed in note 7 *Non-recurring items.*

Liquidity position and capital resources

Cash flows

Our cash flow from operating activities increased from 1 384m euro in 2004 to 2 286 euro in 2005, or 65.2%.
The growth in cash generated from the operations of 1 285m euro was partly off-set by higher interest and taxes paid.

The evolution of the cash used in investment activities from (577)m euro in 2004 to (2 584)m euro in 2005 is mainly driven by the purchase of minority interests in Latin America, Russia and Germany and by the increased investments in acquisition of property, plant and equipment and intangibles.

The cash flow from our financing activities changed from (287)m euro in 2004 to (65)m euro in 2005, impacted by higher dividend pay out, movement in proceeds and repayments from borrowings and cash outflow for the purchase of treasury shares.

Capital expenditures and acquisitions

We spent 1 077m euro in 2005 and 725m euro in 2004 on acquiring capital assets. In 2005, out of the total capital expenditures, approximately 59 % was used to improve our production facilities while 25 % was used for logistics and commercial investments. Approximately 16 % was used for improving administrative capabilities and purchase of hardware and software.

On acquiring businesses, we spent 1 716m euro in 2005 and 973m euro in 2004. As already mentioned above, our principal investments in 2005 were the purchase of additional interests in AmBev, in InBev Germany Holding GmbH, the remaining 30 % interest of the Zhejiang Zhedong Brewery in China and the acquisition of the Tinkoff brewery in St-Petersburg, Russia.

Capital resources and equity

InBev's net financial debt increased to 4 867m euro as of 31 December 2005, from 3 271m euro as of 31 December 2004. Apart from normal operations, the increase in net debt is primarily the result of the purchase of AmBev common shares under the mandatory tender offer which InBev undertook (572m euro) and through the AmBev share buyback programs (178m euro) ; additional purchases of Sun Interbrew shares (514m euro) ; the purchase of additional shares of InBev Germany Holding GmbH (222m euro) ; dividend payments to shareholders of InBev (222m euro), dividend payments to minority shareholders of AmBev (326m euro), the purchase of InBev shares as part of a share buyback program detailed below (109m euro) ; and the impact of changes in the foreign exchange rates (693m euro), partly offset by the disposals of Damm, Erfrig and Pivovarna Union (235m euro).

Importantly, as part of InBev's strategy to more pro-actively manage its capital structure, the company announced in June 2005 a twelve month program for the purchase of up to 300m euro of InBev shares, and up to 500m euro of AmBev preferred shares. Until the end of December 2005, InBev acquired 3.5m InBev shares and 0.3m AmBev preferred shares.

Moreover, the company will remain committed to divesting non-core assets, either distributing the proceeds to shareholders or reinvesting in value-enhancing projects.

Consolidated equity attributable to equity holders of InBev as at 31 December 2005 was 11 471m euro, compared with 8 319m euro at the end of 2004. In line with the strengthening of mainly the Brazilian real, a foreign exchange translation adjustment of 1 609m euro was booked. Explanations on equity movements can be found in note 20 to the consolidated financial statements.

Research & development

In 2005, we invested 18m euro in research and development compared to 14m euro in 2004. Part of this was invested in the area of market research, but the majority is related to innovation in the areas of process optimization especially as it pertains to capacity, new product developments and packaging initiatives. Knowledge management and learning is also an integral part of research and development and a lot of value is placed on collaborations with universities and other industries to continuously enhance our knowledge.

Risks and uncertainties

Note 27 *Financial instruments* of the consolidated financial statements contains detailed information on the company's exposures to risk and its risk management policies. Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are disclosed in the relevant notes of the consolidated financial statements. Important contingencies are disclosed in note 30 *Contingencies* of the consolidated financial statements.

Independent auditors' report

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Independent Auditors' Report

To the Shareholders of InBev NV

We have audited the accompanying consolidated balance sheets of InBev NV and its subsidiaries ("the Group") as of 31 December 2005 and 2004, and the related consolidated income statements, statements of recognized gains and losses and cash flows statements for the years then ended, with a balance sheet total of EUR (million) 23,561 (2004: 18,644) and a profit for the year of EUR (million) 1,402 (2004: 898). These consolidated financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the companies of the AmBev subgroup, which statements reflect total assets (excluding goodwill) of EUR (million) 4,546 (2004: 3,590) and total profit of EUR (million) 842 (2004: 234) in the consolidated financial statements, were audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors.

Unqualified audit opinion on the consolidated financial statements

We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2005 and 2004, and of the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Additional information

The following additional information is provided in order to complete the audit report but does not alter our audit opinion on the consolidated financial statements:

- As statutory auditor we are also responsible for examining the consolidated Board of Directors' report in accordance with auditing standards generally accepted in Belgium. The Board of Directors is responsible for the preparation and assessment of the information to be included in the consolidated directors' report. Based on the information made available to us, the consolidated Board of Directors' report contains the information required by law and is in accordance with the consolidated financial statements.

BCV Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren – Réviseurs d'Entreprises
Statutory Auditor
Represented by

Erik Helsen

Brussels
23 February 2006

Consolidated financial statements

Consolidated income statement

For the year ended 31 December Million euro	Notes	2005	2004[1]
Revenue		**11 656**	**8 568**
Cost of sales		(5 082)	(3 992)
Gross profit		**6 574**	**4 576**
Distribution expenses		(1 362)	(950)
Sales and marketing expenses		(1 948)	(1 543)
Administrative expenses		(957)	(730)
Other operating income/(expenses)	6	132	(98)
Profit from operations before non-recurring items		**2 439**	**1 255**
Restructuring	7	(223)	(158)
Business disposal	7	16	473
Impairment	7	(34)	(256)
Profit from operations		**2 198**	**1 314**
Net financing costs	10	(451)	(172)
Gain on sale of investment securities (non-recurring financial income)	7	47	-
Share of result of associates		(1)	23
Profit before tax		**1 793**	**1 165**
Income tax expense	11	(391)	(267)
Profit		**1 402**	**898**
Attributable to:			
Equity holders of InBev		904	719
Minority interests		498	179
Weighted average number of ordinary shares (million shares)		600	480
Diluted weighted average number of ordinary shares (million shares)		603	483
Year-end number of ordinary shares, net of treasury shares (million shares)		608	576
Basic earnings per share		1.51	1.50
Diluted earnings per share		1.50	1.49
Earnings per share before goodwill and non-recurring items		1.71	1.69
Diluted earnings per share before goodwill and non-recurring items		1.70	1.68
Earnings per share before goodwill		1.51	1.95

Consolidated statement of recognized gains and losses

For the year ended 31 December Million euro	2005	2004
Exchange differences on translation of foreign operations (gains/(losses))	1 734	(106)
Full recognition of actuarial gains and (losses)	(114)	49
Cash flow hedges	9	(14)
Net result recognized directly in equity	**1 629**	**(71)**
Profit	1 402	898
Total recognized gains and losses	**3 031**	**827**

1 2004 as published, restated for the impact of the adoption of IFRS 2 *Share-based Payment* (reduction of profit attributable to equity holders of InBev by 9m euro) and for the impact of the early adoption of the IAS 19 *Employee Benefits* option to recognize actuarial gains and losses in full in the period in which they occur in the statement of recognized gains and losses (increase of profit attributable to equity holders of InBev by 9m euro).

Consolidated balance sheet

As at 31 December Million euro	Notes	2005	2004[1]
Assets			
Non-current assets			
Property, plant and equipment	12	5 997	5 298
Goodwill	13	11 108	7 459
Intangible assets	14	540	246
Interest-bearing loans granted		30	48
Investments in associates		6	6
Investment securities	15	38	274
Deferred tax assets	16	930	792
Employee benefits	23	20	39
Trade and other receivables	18	629	550
		19 298	**14 712**
Current assets			
Interest-bearing loans granted		5	11
Investment securities	15	175	2
Inventories	17	929	847
Income tax receivable		123	119
Trade and other receivables	18	2 351	1 977
Cash and cash equivalents	19	613	976
Assets held for sale		67	-
		4 263	**3 932**
Total assets		**23 561**	**18 644**
Equity and Liabilities			
Equity			
Issued capital	20	470	444
Share premium	20	7 334	6 471
Reserves	20	969	(551)
Retained earnings	20	2 698	1 955
Equity attributable to equity holders of InBev		**11 471**	**8 319**
Minority interests		379	374
		11 850	**8 693**
Non-current liabilities			
Interest-bearing loans and borrowings	22	4 466	2 217
Employee benefits	23	935	742
Deferred tax liabilities	16	274	240
Trade and other payables	26	269	401
Provisions	25	578	502
		6 522	**4 102**
Current liabilities			
Bank overdrafts	19	61	100
Interest-bearing loans and borrowings	22	1 171	2 074
Income tax payable		278	310
Trade and other payables	26	3 463	3 284
Provisions	25	198	81
Liabilities held for sale		18	-
		5 189	**5 849**
Total equity and liabilities		**23 561**	**18 644**

1 2004 as published, restated for the impact of the adoption of IFRS 2 *Share-based Payment* and for the impact of the early adoption of the IAS 19 *Employee Benefits* option to recognize actuarial gains and losses in full in the period in which they occur in the statement of recognized gains and losses.

Consolidated cash flow statement

For the year ended 31 December Million euro	2005	2004[1]
Operating activities		
Profit	1 402	898
Depreciation	829	621
Amortization and impairment of goodwill	-	216
Amortization of intangible assets	59	49
Impairment losses (other than goodwill)	48	135
Write-offs on non-current and current assets	-	3
Unrealized foreign exchange losses/(gains)	(32)	(25)
Net interest (income)/expense	382	196
Net investment (income)/expense	10	(39)
Loss/(gain) on sale of investment in associates	-	(488)
Loss/(gain) on sale of property, plant and equipment	(13)	(31)
Loss/(gain) on sale of intangible assets	-	3
Equity-settled share-based payment expense	59	10
Income tax expense	391	267
Share of result of associates	1	(23)
Cash flow from operating activities before changes in working capital and provisions	**3 136**	**1 792**
Decrease/(increase) in trade and other receivables	(147)	(194)
Decrease/(increase) in inventories	18	(63)
Increase/(decrease) in trade and other payables	(14)	329
Increase/(decrease) in provisions	82	(74)
Cash generated from operations	**3 075**	**1 790**
Interest paid	(514)	(252)
Interest received	92	75
Dividends received	4	8
Income tax paid	(371)	(237)
Cash flow from operating activities	**2 286**	**1 384**
Investing activities		
Proceeds from sale of property, plant and equipment	97	135
Proceeds from sale of intangible assets	7	-
Proceeds from sale of investments	172	1 155
Repayments of loans granted	42	3
Sale of subsidiaries, net of cash disposed of	73	7
Acquisition of subsidiaries, net of cash acquired	(136)	(214)
Purchase of minority interests	(1 580)	(759)
Acquisition of property, plant and equipment	(1 037)	(812)
Acquisition of intangible assets	(144)	(48)
Acquisition of other investments	(64)	(12)
Payments of loans granted	(14)	(32)
Cash flow from investing activities	**(2 584)**	**(577)**
Financing activities		
Proceeds from the issue of share capital	56	29
Purchase of treasury shares	(109)	-
Reimbursement of capital	(10)	(6)
Proceeds from borrowings	7 169	4 941
Repayment of borrowings	(6 598)	(5 015)
Payment of finance lease liabilities	(5)	(7)
Dividends paid	(568)	(229)
Cash flow from financing activities	**(65)**	**(287)**
Net increase/(decrease) in cash and cash equivalents	**(363)**	**520**
Cash and cash equivalents less bank overdrafts at beginning of year	876	360
Effect of exchange rate fluctuations	39	(4)
Cash and cash equivalents less bank overdrafts at end of year	**552**	**876**

1 2004 as published, restated for the impact of the adoption of IFRS 2 *Share-based Payment* and for the impact of the early adoption of the IAS 19 *Employee Benefits* option to recognize actuarial gains and losses in full in the period in which they occur in the statement of recognized gains and losses and for the distinction between acquisitions of subsidiaries during the year and subsequent acquisitions of minority interests.

Notes to the consolidated financial statements

1. Corporate information

InBev NV is a company domiciled and publicly traded (Euronext: INB) in Belgium. The company's origins date back to 1366, and today it is the leading global brewer by volume. InBev's strategy is to strengthen its local platforms by building significant positions in the world's major beer markets through organic growth, world-class efficiency, targeted acquisitions, and by putting consumers first. InBev has a portfolio of more than 200 brands, including Stella Artois®, Brahma®, Beck's®, Skol®, Leffe®, Hoegaarden®, Staropramen® and Bass®. InBev employs some 77 000 people, running operations in over 30 countries across the Americas, Europe and Asia Pacific.

The consolidated financial statements of the company for the year ended 31 December 2005 comprise the company and its subsidiaries (together referred to as "InBev" or the "company") and the company's interest in associates and jointly controlled entities.

The financial statements were authorized for issue by the board of directors on 23 February 2006.

2. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union up to 31 December 2005. InBev did not apply any European carve-outs from IFRS meaning that our financials fully comply with IFRS. With the exception of the new IAS 19 *Employee Benefits* requirements (published in December 2004 – see note Changes in accounting policies below), InBev has not applied early any new IFRS requirements that are not yet effective in 2005.

3. Summary of significant accounting policies

(A) Basis of preparation

The financial statements are presented in euro, rounded to the nearest million. Depending on the applicable IFRS requirements, the measurement basis used in preparing the financial statements is cost, net realizable value, fair value or recoverable amount. Whenever IFRS provides an option between cost and another measurement basis (e.g. systematic remeasurement), the cost approach is applied.

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

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

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

(B) Principles of consolidation

Subsidiaries are those companies in which InBev, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has control, directly or indirectly, over the operations so as to obtain benefits from the companies' 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.

Jointly controlled entities are consolidated using the proportionate method of consolidation.

Associates are undertakings in which InBev has significant influence over the financial and operating policies, but which it does not control. This is generally evidenced by ownership of between 20% and 50% of the voting rights. Associates are accounted for by the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. When InBev'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 InBev has incurred obligations in respect of the associate.

The financial statements of our subsidiaries, jointly controlled entities and associates are prepared for the same reporting year as the parent company, using consistent accounting policies. All intercompany transactions, balances and unrealized gains and losses on transactions between group companies have been eliminated.

Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of InBev's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

A listing of the company's significant subsidiaries, jointly controlled entities and associates is set out in note 34.

(C) Summary of changes in accounting policies

The accounting policies applied are consistent with those of the previous financial year except for the new/revised standards mandatory as from 1 January 2005 and the early adoption of the new IAS 19 *Employee Benefits* option to recognize actuarial gains and losses in full in the period in which they occur in the statement of recognized gains and losses.

During 2004 and 2003 the IASB issued five new standards and amended fifteen existing standards which are effective since 1 January 2005. Below is a summary of the impact of the new requirements on our financial statements. The adoption of the amended IFRS requirements resulted in a modification of certain key terms in the financial statements which can be summarized as follows:

New term	Old term
Equity attributable to equity holders of InBev	Capital and reserves
Profit	Net profit
Share of result of associates	Income from associates
Revenue	Net turnover
Foreign operation	Foreign entity
Functional currency	Measurement currency

Goodwill and intangible assets

On 31 March 2004 the IASB issued IFRS 3 *Business Combinations*, revised IAS 36 *Impairment of Assets*, and revised IAS 38 *Intangible Assets*. InBev prospectively adopted the standards for goodwill and intangible assets existing at 31 March 2004 on 1 January 2005, whereas goodwill and intangible assets recognized from business combinations entered into after 31 March 2004 were accounted for immediately in accordance with the new requirements. As a result, goodwill was not amortized during 2005 but instead is reviewed at least annually for impairment in accordance with the revised IAS 36 *Impairment of Assets*. During the comparative year 2004, goodwill amortization amounted to 190m euro. IFRS 3 *Business Combinations* requires a separate recognition of intangible assets acquired in a business combination while historically such intangible assets have been subsumed under goodwill.

Share-based payments

In February 2004 the IASB published IFRS 2 *Share-based Payment*. This standard requires share-based payments made to employees to be recognized in the financial statements based on the fair value of the awards measured at grant date. InBev adopted IFRS 2 on 1 January 2005 and restated the comparative 2004 income statement by recognizing an additional compensation expense of 9m euro. As the grants are equity settled the net impact on the 1 January 2004 equity is zero. In conformity with IFRS 2, InBev applied the new share-based payment accounting requirements to all awards granted after 7 November 2002 which had not yet vested at 1 January 2005.

Post-employment benefits: actuarial gains and losses

In December 2004 the IASB issued an amendment to IAS 19 *Employee Benefits* that provides companies reporting under IFRS with an option to recognize actuarial gains and losses in full in the period in which they occur in the statement of recognized gains and losses. Before the amendment IAS 19 required actuarial gains and losses (i.e. unexpected changes in value of the defined benefit plan) to be recognized in profit or loss, either in the period in which they occur or spread over the remaining service lives of the employees. InBev concluded that a full recognition of the actuarial gains and losses enhances the transparency of its financial statements and therefore decided to apply the new option. In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, InBev applied this change in accounting policy retrospectively leading to a net reduction of equity as at 1 January 2004 by 269m euro and to an increase of the 2004 profit by 9m euro.

Non-current assets held for sale

On 31 March 2004 the IASB published IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. This standard adopts the classification "held for sale" and introduces the concept of a "disposal group", being a group of assets to be disposed of, by sales or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. IFRS 5 requires that assets or disposal groups that are classified as held for sale are: (i) carried at the lower of carrying amount and fair value less costs to sell – which means that the related assets cease to be depreciated – and (ii) presented separately on the face of the balance sheet. At 31 December 2005 non-current assets held for sale amounted to 67m euro.

Minority interests and earnings per share

The amended IAS 27 *Consolidated and Separate Financial Statements* requires minority interest to be presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity. Further, the revised IAS 1 *Presentation of Financial Statements* prescribes that profit attributable to minority interest and profit attributable to equity holders of InBev need to be presented as allocations of profit instead of an expense. As a result, 2004 profit was grossed up to include the minority interest's share of 179m euro. Earnings per share continue to be calculated based on profit attributable to InBev shareholders.

The accounting policies below have been amended to reflect the adoption of the new IFRS requirements summarized above.

(D) Foreign currencies

Foreign currency transactions

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

Translation of the results and financial position of foreign operations

Assets and liabilities of foreign operations are translated to euro at foreign exchange rates prevailing at the balance sheet date. Income statements of foreign operations, excluding foreign entities in hyperinflationary economies, are translated to euro at exchange rates for the year approximating the foreign exchange rates prevailing at the dates of the transactions. The components of shareholders' equity are translated at historical rates. Exchange differences arising from the translation of shareholders' equity to euro at year-end exchange rates are taken to Equity (translation reserves).

In hyperinflationary economies, re-measurement of the local currency denominated non-monetary assets, liabilities, income statement accounts as well as equity accounts is made by applying a general price index. These re-measured accounts are used for conversion into 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 balance sheet and income statement are re-measured into euro as if it was the operation's functional currency.

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

1 euro equals	Closing rate		Average rate	
	2005	2004	2005	2004
Argentinean peso	3.571543	4.052586	3.656615	3.763303
Brazilian real	2.761317	3.615564	3.027725	3.591348
Bulgarian lev	1.956300	1.955898	1.955833	1.953026
Canadian dollar	1.372501	1.641599	1.516470	1.614015
Chinese yuan	9.520455	11.273449	10.249997	10.238034
Croatian kuna	7.375610	7.649705	7.416637	7.494735
Hungarian forint	252.844501	245.941958	247.954376	251.88916
Pound sterling	0.685300	0.705050	0.684589	0.679036
Russian ruble	34.184528	37.810042	35.410765	35.65825
Serbian dinar	85.499316	78.883016	82.583203	71.9528
South Korean won	1 184.834123	1 410.437236	1 282.051	1 424.501
Ukrainian hryvnia	5.971611	7.217455	6.415027	6.561292
US dollar	1.179700	1.362101	1.250607	1.236906

(E) Intangible assets

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

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

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

Acquired customer relationships in a business combination are initially recognized at fair value as supply rights to the extent that they arise from contractual rights. If the IFRS recognition criteria are not met, these relationships are subsumed under goodwill.

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

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

Other intangible assets
Other intangible assets, acquired by the company, are stated at cost less accumulated amortization (see below) and impairment losses (refer accounting policy M).

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

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

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

In conformity with IFRS 3 *Business Combinations*, goodwill is not amortized but tested for impairment on an annual basis and whenever there is an indicator that the cash generating unit to which the goodwill has been allocated, may be impaired.

Goodwill is expressed in the currency of the subsidiary or jointly controlled entity 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 impairment losses (refer accounting policy M).

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

If InBev's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized exceeds the cost of the business combination such excess is recognized immediately in profit or loss as required by IFRS 3.

Expenditure on internally generated goodwill is expensed as incurred.

(G) Property, plant and equipment
Owned assets
Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses (refer accounting policy M). Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (e.g. non refundable tax, transport). The cost of a self-constructed asset is determined using the same principles as for an acquired asset.

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

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

The estimated useful lives are as follows:

Estimated useful lives	
Industrial buildings	20 years
Production plant and equipment:	
Production equipment	15 years
Storage and packaging equipment	7 years
Duo tanks	7 years
Handling and other equipment	5 years
Returnable packaging:	
Kegs	10 years
Crates	10 years
Bottles	5 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

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

Land is not depreciated as it is deemed to have an infinite life. Residual values, if not insignificant, are reassessed annually.

(H) Accounting for leases

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

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

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

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

(I) Investments

All investments are accounted for at trade date.

Investments in equity securities

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

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

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

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

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

(K) Trade and other receivables
Trade and other receivables are carried at amortized cost less impairment losses. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. An impairment loss is recognized in the income statement for the difference between the carrying amount of the receivables and the present value of the estimated future cash flows.

(L) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and demandable deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

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

Calculation of recoverable amount
The recoverable amount of the company's investments in debt securities is calculated as the present value of expected future cash flows, discounted at the debt securities' original effective interest rate.

The recoverable amount of other assets is determined as the higher of their fair value less costs to sell and value in use. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. 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.

Impairment testing of intangible assets with an indefinite useful life is primarily based on a fair value approach applying multiples that reflect current market transactions to indicators that drive the profitability of the asset or the royalty stream that could be obtained from licensing the intangible asset to another party in an arm's length transaction.

For goodwill the recoverable amount of the cash generating units to which the goodwill belongs is based on a fair value approach. More specifically, a discounted free cash flow approach, based on current acquisition valuation models, is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. As regards the level of goodwill impairment testing, InBev's overall approach is to test goodwill for impairment at the business unit level (i.e. one level below the segments).

Reversal of impairment losses

An impairment loss in respect of goodwill or investments in equity securities is not reversed. Impairment losses on other assets are reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(N) Share capital

Repurchase of share capital

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

Dividends

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

(O) Provisions

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

Restructuring

A provision for restructuring is recognized when the company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Costs relating to the ongoing activities of the company are not provided for.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(P) Employee benefits

Post employment benefits

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

a) Defined contribution plans

Contributions to defined contribution plans are recognized as an expense in the income statement when incurred.

b) Defined benefit plans

For defined benefit plans, the pension expenses are assessed separately for each plan using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans at least every three years. The amounts charged to the income statement consist of current service cost, interest cost, the expected return on any plan assets, past service costs and the effect of any curtailments or settlements.

The pension obligations recognized in the balance sheet are measured at 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, less any past service costs not yet recognized and the fair value of any plan assets. Past service costs result from the introduction of, or changes to, post employment benefits. They are recognized as an expense over the average period that the benefits vest. Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions. Actuarial gains and losses are recognized in full in the period in which they occur in the statement of recognized gains and losses.

Where the calculated amount of a defined benefit liability is negative (an asset), InBev recognizes such pension asset to the extent of any cumulative unrecognized past service costs plus any economic benefits available to InBev either from refunds or reductions in future contributions.

Other post-employment obligations
Some InBev companies provide post-employment 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.

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

(Q) Share-based payments

Different share option programs allow company senior management and members of the board to acquire shares of the company and some of its affiliates. The option exercise price equals the average market price of the underlying shares in the thirty trading days preceding the offer date. The fair value of the share-based payment compensations is estimated at grant date, using an option pricing model that is most appropriate for the respective option. Based on the expected number of options that will vest, the fair value of the options granted is expensed over the vesting period. When the options are exercised, equity is increased by the amount of the proceeds received.

(R) Interest-bearing loans and borrowings

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

(S) Trade and other payables

Trade and other payables are stated at amortized cost.

(T) Income tax

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

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

In accordance with IAS 12 *Income Taxes* deferred taxes are provided using the so called balance sheet liability method. This means that, taking into account the IAS 12 requirements, for all taxable and deductible differences between the tax bases of assets and liabilities and their carrying amounts in the balance sheet a deferred tax liability or asset is recognized. Under this method a provision for deferred taxes is also made for differences between the fair values of assets and liabilities acquired in a business combination and their tax base. IAS 12 prescribes that no deferred taxes are recognized i) on goodwill that is not deductible for tax purposes, ii) at the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit and iii) on differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using currently or substantively enacted tax rates.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(U) Income recognition

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

Goods sold

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

Rental and royalty income

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

Government grants

A government grant is recognized in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the company will comply with the conditions attached to it. Grants that compensate the company for expenses incurred are recognized as other operating income on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the company for the cost of an asset are recognized as other operating income on a systematic basis over the useful life of the asset.

Financial income

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

Interest income is recognized as it accrues (taking into account the effective yield on the asset) unless collectibility is in doubt. Dividend income is recognized in the income statement on the date that the dividend is declared.

(V) Expenses

Financial expenses

Financial expenses comprise interest payable on borrowings, calculated using the effective interest rate method, foreign exchange losses, and losses on hedging instruments that are recognized in the income statement (refer accounting policy W).

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

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

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

(W) Derivative financial instruments

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

Derivative financial instruments are recognized initially at fair value. Fair value is the amount for which the asset could be exchanged or the liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of derivative financial instruments is either the quoted market price or is calculated using pricing models taking into account current market rates. These pricing models also take into account the current creditworthiness of the counterparties.

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

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

Cash flow hedge accounting

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

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

Fair value hedge accounting

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

Net investment hedge accounting

When a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on the translation of the liability to the functional currency are recognized directly in equity (translation reserves).

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

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

(X) Segment reporting

InBev's primary segment reporting format is geographical because our risks and rates of return are affected predominantly by the fact that we operate in different geographical areas. The company's management structure and internal reporting system to the board of directors is set up accordingly. A geographical segment is a distinguishable component of the company that is engaged in providing products or services within a particular economic environment, which is subject to risks and returns that are different from those of other segments. In accordance with IAS 14 *Segment Reporting* InBev's reportable geographical segments were determined as North America, Latin America, Western Europe, Central & Eastern Europe, Asia Pacific and Global Export & Holding Companies. The company's assets are predominantly located in the same geographical areas as its customers.

Throughout the world, InBev is chiefly active in the malt-based beverages business. However, since 2005 the soft drinks business exceeded the 10% threshold for revenue from sales to external customers. Therefore, the soft drinks activities are reported as a secondary segment since 2005. The soft drinks segment consists of InBev owned soft drinks and soft drinks produced and sold by InBev under licensing agreements or sold under exclusive distribution agreements.

(Y) Discontinued operations and non-current assets held for sale

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

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

(Z) Recently issued IFRS

To the extent that new IFRS requirements are expected to be applicable in the future, they have been summarized hereafter.

IFRS 7 Financial Instruments: Disclosures

In August 2005, the International Accounting Standards Board (IASB) issued International Financial Reporting Standard (IFRS) 7 *Financial Instruments: Disclosures* and a complementary Amendment to IAS 1 *Presentation of Financial Statements—Capital Disclosures*. The IFRS introduces new requirements to improve the information on financial instruments that is given in entities' financial statements. It replaces IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and some of the requirements in IAS 32 *Financial Instruments: Disclosure and Presentation*. The amendment to IAS 1 introduces requirements for disclosures about an entity's capital. While these new IFRS requirements are only effective as from 1 January 2007 InBev anticipates applying them already as from 2006 as part of its continued efforts to enhance transparency. Indeed, IFRS 7 is believed to lead to greater transparency with regard to the risks that InBev runs from the use of financial instruments. This, combined with the new requirements in IAS 1, should provide better information for investors and other users of our financial statements to make informed judgments about risk and return.

4. Segment reporting

Primary segments

Million euro, except volume (million hl) and FTE (units)	North America		Latin America		Western Europe		Central & Eastern Europe		Asia Pacific		Global export and holding companies		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Volume	15	**17**	104	**39**	41	**40**	38	**34**	24	**22**	2	**2**	224	**154**
Revenue	**1 733**	**1 852**	**3 947**	**1 205**	**3 669**	**3 464**	**1 468**	**1 253**	**748**	**642**	**91**	**152**	**11 656**	**8 568**
Cost of goods sold	(670)	(780)	(1 536)	(484)	(1 678)	(1 613)	(737)	(663)	(379)	(333)	(82)	(117)	(5 082)	(3 992)
Distribution expenses	(256)	(238)	(440)	(120)	(418)	(396)	(187)	(143)	(61)	(53)	-	-	(1 362)	(950)
Sales and marketing expenses	(309)	(364)	(446)	(120)	(740)	(695)	(243)	(196)	(144)	(119)	(66)	(51)	(1 948)	(1 543)
Administrative expenses	(97)	(111)	(251)	(77)	(290)	(289)	(107)	(81)	(49)	(42)	(163)	(130)	(957)	(730)
Other operating income/(expenses)	(12)	(54)	49	(33)	(104)	(131)	(50)	(46)	23	(49)	226	215	132	(98)
Normalized profit from operations (EBIT)	**389**	**306**	**1 323**	**371**	**439**	**340**	**144**	**124**	**138**	**46**	**6**	**70**	**2 439**	**1 255**
Restructuring	(29)	(102)	-	-	(125)	(35)	(14)	-	(18)	-	(37)	(21)	(223)	(158)
Business disposal	-	487	-	-	8	-	7	(14)	1	-	-	-	16	473
Impairment	(13)	(54)	(1)	-	(19)	(71)	(1)	(28)	-	-	-	(103)	(34)	(256)
Profit from operations (EBIT)	**347**	**636**	**1 322**	**371**	**303**	**234**	**137**	**82**	**121**	**46**	**(31)**	**(55)**	**2 198**	**1 314**
Net financing cost	(33)	(479)	(335)	(38)	(212)	(209)	(13)	(16)	(12)	(14)	154	584	(451)	(172)
Gain on sale of investment securities	-	-	-	-	47	-	-	-	-	-	-	-	47	-
Share of result of associates	-	24	(1)	-	-	(1)	-	-	-	-	-	-	(1)	23
Income tax expense	(134)	(114)	(171)	(96)	(19)	-	(20)	(14)	(30)	(20)	(17)	(24)	(391)	(267)
Profit	**181**	**67**	**815**	**237**	**119**	**25**	**103**	**51**	**79**	**11**	**106**	**506**	**1 402**	**898**
Normalized profit	208	(246)	815	237	171	106	110	92	91	11	143	632	1 538	833
EBITDA	448	814	1 577	473	634	657	304	259	191	163	(22)	(37)	3 132	2 329
Normalized EBITDA	477	430	1 577	473	751	695	311	269	207	163	15	87	3 339	2 116
EBITDA margin (normalized) in %	27.5	23.2	40.0	39.3	20.5	20.1	21.2	21.4	27.8	25.4	16.5	57.2	28.6	24.7
Segment assets	2 428	2 085	8 877	5 549	5 096	5 170	2 702	1 499	2 160	1 759	709	679	21 972	16 741
Investm. in associates													6	6
Intersegment elimination													(407)	(356)
Non-segmented assets													1 990	2 253
Total assets													**23 561**	**18 644**
Segment liabilities	862	691	1 526	1 121	2 172	2 258	324	317	336	301	461	455	5 680	5 143
Intersegment elimination													(407)	(356)
Non-segm. liabilities													18 288	13 857
Total liabilities													**23 561**	**18 644**
Gross capex	101	69	371	143	406	293	284	277	70	60	29	19	1 261	861
Impairment losses/(reversals)	13	54	6	-	20	67	8	35	1	-	-	-	48	156
Depreciation & amortization	89	124	250	101	311	356	159	142	70	117	9	19	888	859
Additions to/(reversals of) provisions	13	3	(25)	14	124	4	(1)	2	5	4	-	(3)	116	24
FTE	6 537	6 961	27 305	25 696	13 093	13 745	13 730	14 637	16 032	15 245	669	548	77 366	76 832

Secondary segments

Million euro, except volume (million hl)	Beer		Non-beer		Consolidated	
	2005	2004	2005	2004	2005	2004
Volume	192	140	32	14	224	154
Revenue	10 783	8 192	873	376	11 656	8 568
Total assets	21 923	17 172	1 638	1 472	23 561	18 644
Gross capex	1 195	825	66	36	1 261	861

5. Acquisitions and disposals of subsidiaries

The table below summarizes the impact of the acquisitions and disposals on the financial position of InBev:

Million euro	2005 Acquisitions	2005 Disposals	2004[1] Acquisitions	2004[1] Disposals
Non-current assets				
Property, plant and equipment	86	(61)	2 041	(4)
Intangible assets	111	(8)	44	-
Interest-bearing loans granted	1	-	23	-
Investments in associates	1	(3)	1	-
Investment securities	-	(2)	182	(3)
Deferred tax assets	1	-	484	-
Employee benefits	-	-	6	-
Trade and other receivables	-	-	230	-
Current assets				
Interest-bearing loans granted	-	-	3	-
Investment securities	-	-	9	-
Inventories	6	(9)	305	-
Income tax receivable	1	-	62	-
Trade and other receivables	19	(18)	385	(1)
Cash and cash equivalents	2	(3)	309	-
Minority interests	-	-	(250)	-
Non-current liabilities				
Interest-bearing loans and borrowings	(5)	2	(1 310)	-
Trade and other payables	-	-	(78)	-
Employee benefits	-	3	(81)	-
Provisions	(1)	-	(346)	-
Deferred tax liabilities	(27)	11	(45)	-
Current liabilities				
Interest-bearing loans and borrowings	(44)	3	(366)	3
Income tax payable	-	1	(48)	-
Trade and other payables	(73)	38	(911)	2
Provisions	(1)	5	(14)	-
Net identifiable assets and liabilities	**77**	**(41)**	**635**	**(3)**
Goodwill on acquisition	141	(38)	3 585	-
Adjustment arising from subsequent identification or changes in fair value of identifiable assets and (contingent) liabilities	(78)	-	-	-
Decrease of minority shareholdings	-	19	(28)	-
Loss/(gain) on disposal	-	(16)	-	(4)
Part of acquisitions settled in shares	-	-	(3 342)	-
Part of acquisitions paid in the previous year	(2)	-	(51)	-
Part of acquisitions to be paid	-	-	(276)	-
Consideration paid/(received), satisfied in cash	**138**	**(76)**	**523**	**(7)**
Cash (acquired)/disposed of	(2)	3	(309)	-
Net cash outflow/(inflow)	**136**	**(73)**	**214**	**(7)**

1 Since 2005 a distinction is made in the cash flow statement between acquisitions of subsidiaries during the year and subsequent acquisitions of minority interests. The comparative 2004 numbers have been restated accordingly.

The following major transactions took place:

- In August 2005 InBev closed the acquisition of 100% of the Tinkoff brewery in St. Petersburg, Russia, for a total cash consideration of 77m euro. Costs directly attributable to the combination represent 1m euro. The amounts recognized at the acquisition date for each class of Tinkoff's assets, liabilities and contingent liabilities are included in the column "2005 Acquisitions" of the above table. The Tinkoff goodwill of 68m euro is justified by i) the immediate alleviation of existing short-term capacity constraints which InBev has faced in Russia, ii) the fact that Tinkoff complements InBev's winning brand portfolio in Russia by adding the leading Russian brand in the fast-growing and highly profitable super-premium segment and iii) further expected growth as a result of leveraging InBev's existing nationwide sales and distribution network. The impact of Tinkoff's result on the 2005 InBev profit is negative for an amount of 1m euro. If the acquisition date would have been 1 January 2005, it was estimated that InBev's revenue and profit would have been higher by approximately 70m and 8m euro, respectively.
- The company acquired several local distributors throughout the world. As these distributors are immediately integrated in the InBev operations, no separate reporting is maintained on their contribution to the InBev profit.
- On 23 January 2006, InBev announced the agreement to acquire 100% of the equity interests in Fujian Sedrin Brewery Co. Ltd., the largest brewer in the Fujian province of China – see note 33 *Events after the balance sheet date*. This transaction has not been reflected in the above 2005 statements.

Further, the finalization of the purchase accounting for the 2004 business combinations resulted in a reclassification from goodwill to intangible assets for an amount of 78m euro. The increase of InBev's economic interest in the jointly controlled Quilmes business from 24.07% in 2004 to 32.10% in 2005 led to the recognition of goodwill for an amount of 18m euro.

6. Other operating income/(expenses)

Million euro	2005	2004
(Additions to)/reversals of provisions	36	(22)
Net gain/(loss) on disposal of property, plant and equipment and intangible assets	13	30
Net rent income	24	24
Net other operating income	59	60
Goodwill amortization	-	(190)
	132	**(98)**
Research and development expenses as incurred	18	14

7. Non-recurring items

InBev's management performance rewards are based on several criteria, including profitability of the company. To measure management's performance, profit from operations and profit, as reported in accordance with IFRS, are adjusted for certain items approved by the compensation committee of the board of directors. These items include the non-recurring items as detailed below. From an IFRS perspective, the items warrant separate disclosure because of their significance.

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

Million euro	2005	2004
Profit from operations before non-recurring items	**2 439**	**1 255**
Restructuring	(223)	(158)
Business disposal	16	473
Impairment	(34)	(256)
Profit from operations	**2 198**	**1 314**
Gain on sale of investment securities	**47**	**-**

The 2005 non-recurring restructuring and impairment charges of respectively 223m euro and 34m euro were primarily triggered by the execution of several restructuring initiatives. These relate mainly to the realignment of the structures and processes in Western Europe, South Korea, Serbia-Montenegro and at the global headquarters. The changes aim to create clear responsibilities and to eliminate overlapping or duplicated processes and activities across functions and zones, taking into account the right match of employee profiles with the new organizational requirements. The outcome should be a stronger focus on InBev's core activities, cost savings, which should in turn result in added value, quicker decision-making and improvements to efficiency, service and quality. The 2005 non-recurring restructuring and impairment charges also include 41m euro of closure costs for the Toronto site.

The disposal of InBev's interest in Bremer Erfrischungsgetränke GmbH and Uniline (Bosnia-Herzegovina) resulted in a total 2005 non-recurring business disposal gain of 16m euro.

The 2004 business disposal gain of 473m euro relates for an amount of 488m euro to the sale of the Femsa business (U.S. and Mexican shareholdings). The balance represents the loss that was incurred following the termination of InBev's industrial operations in Bosnia-Herzegovina.

Total 2004 non-recurring restructuring charges amounted to 158m euro. These charges consisted for an amount of 97m euro of brewery closure costs in Canada and the UK and for an amount of 31m of restructuring costs in the US. Further, the 2004 non-recurring restructuring charges included Interbrew–AmBev integration costs for an amount of 28m euro. These costs contain severance pay (17m euro), consulting and other expenses (11m euro).

Non-recurring impairment charges amounted to 256m euro in 2004 of which 100m euro relates to the acquisition of the Alfa-Eco equity stake in Sun Interbrew Ltd. Further, the 2004 non-recurring impairment charges included the write-down of plants in Canada, New Westminster (25m euro) and the UK (48m euro).

A review of the carrying values of the company's assets resulted in 2004 in the recognition of impairment charges with regard to goodwill, intangible assets, items of property, plant and equipment and investments. In particular, InBev's German soft drinks assets were written down to their recoverable value, leading to a non-cash charge of 20m euro. Similarly, the U.S. Bass distribution rights, acquired in 2003, were impaired for an amount of 28m euro. In Central and Eastern Europe goodwill and property, plant and equipment were impaired for respectively 6m euro and 27m euro.

Finally, InBev's sale in 2005 of its 12.02% minority stake in the Spanish brewer Damm S.A. resulted in a non-recurring gain on sale of investment securities of 47m euro. InBev remains active in the Spanish beer market through its existing wholly-owned subsidiary which imports a number of InBev's leading brands including Beck's, Stella Artois and Franziskaner. InBev acquired its minority interest in Damm for 84m euro in 2002, when the Spanish regulatory authorities obliged Group Mahou/San Miguel to dispose of its stake in Damm.

All the above amounts are before income taxes. The 2005 and 2004 non-recurring items decreased income taxes by respectively 58m and 8m euro. For 2004, the favorable tax effect is primarily explained by the low taxation (14%) of the gain on the sale of the Femsa business.

8. Payroll and related benefits

Million euro	2005	2004
Wages and salaries	(1 364)	(1 048)
Social security contributions	(277)	(217)
Other personnel cost	(174)	(149)
Pension expense for defined benefit plans	(92)	(83)
Contributions to defined contribution plans	(4)	(3)
	(1 911)	**(1 500)**

Average number of full time equivalents (FTE)	77 366	76 832

The average number of full time equivalents can be split as follows:

	2005	2004
InBev NV (parent company)	335	256
Subsidiaries	71 022	70 958
Proportionally consolidated entities	6 009	5 618
	77 366	**76 832**

Note 4 *Segment reporting* contains the split of the FTE by geographical segment.

9. Additional information on operating expenses by nature

Depreciation, amortization and impairment charges are included in the following line items of the 2005 income statement:

Million euro	Depreciation and impairment of property, plant and equipment	Amortization and impairment of intangible assets
Cost of sales	(579)	(6)
Distribution expenses	(48)	(1)
Sales and marketing expenses	(137)	(37)
Administrative expenses	(79)	(15)
Non-recurring items	(34)	-
	(877)	**(59)**

10. Net financing costs

Million euro	2005	2004
Interest expense	(479)	(274)
Interest income	97	78
Dividend income, non-consolidated companies	4	6
Net foreign exchange gains	31	30
Net revaluation to fair value of derivatives	(6)	28
Net gains/(losses) on sale of available for sale financial assets	4	(4)
Non derivative financial instruments at fair value through profit or loss	(14)	-
Taxes on financial transactions	(45)	(13)
Other, including bank fees	(43)	(23)
	(451)	**(172)**

11. Income taxes

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

Million euro	2005	2004
Current tax expense		
Current year	(363)	(351)
Over provided in prior years	23	2
	(340)	**(349)**
Deferred tax (expense)/income		
Over provided in previous years	8	15
Origination and reversal of temporary differences	183	107
Utilization of deferred tax assets on prior years' losses	(265)	(48)
Origination of deferred tax assets on current year's losses	23	8
	(51)	**82**
Total income tax expense in the income statement	**(391)**	**(267)**

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

Million euro	2005	2004
Profit before tax	1 793	1 165
Deduct share of result of associates	1	(23)
Profit before tax and before share of result of associates	**1 794**	**1 142**
Adjustments on taxable basis		
Non-deductible amortization of goodwill and intangibles	-	192
Expenses not deductible for tax purposes	290	289
Non-taxable dividends from investments	(2)	(4)
Non-taxable financial and other income	(240)	(35)
	1 842	**1 584**
Aggregated weighted nominal tax rate	**33.1%**	**27.9%**
Tax at aggregated weighted nominal tax rate	(609)	(442)
Adjustments on tax expense		
Utilization of tax losses not previously recognized	7	13
Write-down of deferred tax assets on tax losses and current year losses for which no deferred tax asset is recognized	(72)	(10)
Over provided in prior years	31	17
Tax savings from tax credits	215	91
Tax savings from special tax status	56	76
Change in tax rate	3	(1)
Other tax adjustments, mainly withholding tax	(22)	(11)
	(391)	**(267)**
Effective tax rate	**21.8%**	**23.4%**

The total income tax expense amounts to 391m euro in 2005 or 21.8% of the profit before taxes less income from associated companies, compared to 267m euro in 2004, or 23.4%. Excluding non-recurring items, the 2005 effective tax rate is 22.6%.

The aggregated weighted nominal tax rate increased from 27.9% in 2004 to 33.1% in 2005 mainly due to the inclusion of twelve months of AmBev Brazil results in 2005 versus four months in 2004. The 2005 and 2004 nominal tax rate for Brazil is 34%.

Income taxes were directly recognized in equity as follows:

Million euro	2005	2004
Income tax (losses)/gains		
Recognition of actuarial gains and losses	32	12
Adjustments arising from subsequent identification or changes in fair value of identifiable assets and (contingent) liabilities	-	1
Effective portion of changes in fair value of cash flow hedges	-	-

12. Property, plant and equipment

Million euro	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
Acquisition cost					
Balance at end of previous year	2 907	7 050	1 963	351	12 271
Effect of movements in foreign exchange	326	901	155	36	1 418
Acquisitions through business combinations	31	67	7	1	106
Other acquisitions	46	374	166	450	1 036
Disposals through the sale of subsidiaries	(28)	(51)	(28)	(1)	(108)
Other disposals	(54)	(189)	(60)	(3)	(306)
Transfer to other asset categories	7	252	9	(405)	(137)
Other movements	(8)	(6)	3	(28)	(39)
Balance at end of year	**3 227**	**8 398**	**2 215**	**401**	**14 241**
Depreciation and impairment losses					
Balance at end of previous year	(1 205)	(4 407)	(1 361)	-	(6 973)
Effect of movements in foreign exchange	(108)	(524)	(99)	-	(731)
Acquisitions through business combinations	(3)	(13)	(4)	-	(20)
Disposals through the sale of subsidiaries	2	30	15	-	47
Other disposals	34	138	48	-	220
Depreciation	(109)	(521)	(199)	-	(829)
Impairment losses	(2)	(38)	(8)	-	(48)
Transfer to other asset categories	18	41	22	-	81
Other movements	7	2	-	-	9
Balance at end of year	**(1 366)**	**(5 292)**	**(1 586)**	**-**	**(8 244)**
Carrying amount					
at 31 December 2004	**1 702**	**2 643**	**602**	**351**	**5 298**
at 31 December 2005	**1 861**	**3 106**	**629**	**401**	**5 997**

The transfer to other asset categories mainly relates to the separate presentation in the balance sheet of property, plant and equipment held for sale following the adoption of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

There is no property, plant and equipment subject to restrictions on title. The carrying amount of property, plant and equipment pledged as collateral for liabilities amounts to 123m euro.

Leased assets

The company leases land and buildings as well as equipment under a number of finance lease agreements. The carrying amount of leased land and buildings was 12m euro (2004: 12m euro) and leased plant and equipment was 7m euro (2004: 7m euro).

13. Goodwill

Million euro	
Acquisition cost	
Balance at end of previous year	8 193
Effect of movements in foreign exchange	1 633
Adoption of IFRS 3 *Business Combinations*	(732)
Acquisitions through business combinations	141
Purchases of minority interests	1 989
Disposals through the sale of subsidiaries	(38)
Adjustments arising from subsequent identification or changes in fair value of identifiable assets and (contingent) liabilities	(78)
Balance at end of year	**11 108**
Amortization and impairment losses	
Balance at end of previous year	(734)
Effect of movements in foreign exchange	(43)
Adoption of IFRS 3 *Business Combinations*	777
Balance at end of year	**-**
Carrying amount	
at 31 December 2004	**7 459**
at 31 December 2005	**11 108**

In accordance with the transitional provisions of IFRS 3 *Business Combinations* the company eliminated the carrying amount of the accumulated goodwill amortization with a corresponding decrease in goodwill. In addition, negative goodwill was recognized in equity for an amount of 45m euro.

During the year 2005 InBev purchased significant minority shareholdings in several subsidiaries for a total amount of 1 580m euro. As the related subsidiaries were already fully consolidated, the purchases did not impact InBev's profit, but reduced the minority interests and thus impacted the profit attributable to equity holders of InBev.

The impact of the minority purchases on InBev's economic interest in the related subsidiaries can be summarized as follows:

Majority interest	31 December 2005	31 December 2004
AmBev, Brazil	56.57 %	50.27 %
Zhejiang Zhedong Brewery (KK), China	100.00 %	70.00 %
Sun Interbrew, Russia	99.80 %	76.00 %
InBev Germany Holding GmbH, Bremen	97.82 %	87.18 %

The purchases of minority interests resulted in an increase of goodwill by 1 989m euro which primarily stems from the following transactions:

- On 31 January 2005, InBev announced the closings of the amended transaction with Sun Trade (International) Ltd., whereby InBev purchased all of Sun Trade's holding of voting and non-voting shares in Sun Interbrew Ltd, and of the transaction with Alfa-Eco, whereby InBev acquired all of Alfa-Eco's holding of voting and non-voting shares in Sun Interbrew. The goodwill resulting from these transactions amounts to 612m euro. On 26 May 2005, InBev closed its offer to acquire the remaining minority interest in Sun Interbrew Ltd, leading to goodwill of 42m euro. At 31 December 2005 InBev owns a 99.8% economic interest in Sun Interbrew Ltd. In addition to the issuance of 12.5m InBev shares a total cash consideration of 514m euro was paid during 2005 for InBev's increase of its stake in Sun Interbrew.
- On 31 March 2005, InBev announced the results and settlement mechanics and timing of the mandatory tender offer launched in relation to AmBev common shares in Brazil ("MTO"). The MTO started on 14 February 2005 and ended on 29 March 2005, on which date the "auction" was held in Brazil. The results of the MTO were the following:
  - 1 612 915 545 common AmBev shares have been tendered to the cash option.
  - 1 347 155 632 common AmBev shares have been tendered to the stock-for-stock option.

  The AmBev common shares tendered to the cash option and to the stock-for-stock option represented, on an aggregate basis, 81.23% of the total number of outstanding AmBev common shares concerned by the MTO and brought the total participation held, directly or indirectly, by InBev in AmBev to a 80.99% voting interest and a 54.16% economic interest (55.79% economic interest net of treasury shares). The goodwill on this transaction amounted to 1 056m euro. In addition to the issuance of 18.6m InBev shares a total cash consideration of 572m euro was paid. Finally, purchases of AmBev shares through the AmBev share buy-back program resulted in the recognition of additional goodwill for an amount of 177m euro.
- On 2 September 2005, InBev announced that it has acquired the remaining 30% interest in KK's brewing activities, located in the Zhejiang Province in China. This transaction enhances InBev's position in the province -where InBev holds a 50% market share- and represents a further step in InBev's move to consolidate and strengthen its position in China. InBev acquired a 70% stake of the KK brewing activities in April 2003. KK is a leading brewer in the Province of Zhejiang and holds an 80% market share in the city of Ningbo, the second largest harbor in China, after Shanghai. KK's brewing operations include two breweries in Ningbo and Zhoushan, and one bottling line in Yuyao. The acquisition of the remaining 30% stake led to recognition of goodwill for an amount of 11m euro.

Goodwill has been tested for impairment at the business unit level (i.e. one level below the segments) based on a fair value less cost to sell approach. More particularly, a discounted free cash flow approach, based on current acquisition valuation models, is used. For the period 2006 till 2008 the free cash flows are based on InBev's strategic plan as approved by key management. For the subsequent years, the data of the strategic plan are extrapolated based on the consumer price indices as obtained from external resources and based on key performance indicators as inherent to the strategic plan. The projections are made in the functional currency of the business unit and discounted at the unit's weighted average cost of capital. The latter ranged primarily between 6.50% and 11.80% in euro nominal terms. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Business unit - Million euro	31 December 2005
Brazil	4 751
Germany	1 046
Russia/Ukraine	944
Canada	926
South Korea	848
UK/Ireland	689
Hispanic Latin America	536
New market development	393
USA	290
France/Italy/Spain	270
China	241
Bulgaria/Romania/Montenegro/Serbia	119
Belgium/Luxemburg	54
Other	1
	11 108

In the fourth quarter of 2005, InBev completed its annual impairment test for goodwill and concluded, based on the assumptions described above, that no impairment charge was warranted. The company cannot predict whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values reported. InBev believes that all of its estimates are reasonable: they are consistent with the internal reporting and reflect management's best estimates. However, inherent uncertainties exist that management may not be able to control. While a change in the estimates used could have a material impact on the calculation of the fair values and trigger an impairment charge, the company is not aware of any reasonably possible change in a key assumption used that would cause a business unit's carrying amount to exceed its recoverable amount.

14. Intangible assets

Million euro	Useful life		Advance payments	Total
	Indefinite	Finite		
Acquisition cost				
Balance at end of previous year	-	549	2	551
Adoption of the revised IAS 38 *Intangible Assets*	97	(97)	-	-
Effect of movements in foreign exchange	9	40	-	49
Acquisitions through business combinations	20	14	-	34
Other acquisitions and expenditures	143	67	15	225
Adjustments arising from subsequent identification or changes in fair value of identifiable assets and (contingent) liabilities	-	78	-	78
Disposals through the sale of subsidiaries	-	(14)	-	(14)
Other disposals	-	(19)	-	(19)
Transfer to other asset categories	3	(34)	(6)	(37)
Other movements	-	10	-	10
Balance at end of year	**272**	**594**	**11**	**877**
Amortization and impairment losses				
Balance at end of previous year	-	(305)	-	(305)
Adoption of the revised IAS 38 *Intangible Assets*	(39)	39	-	-
Effect of movements in foreign exchange	(2)	(18)	-	(20)
Amortization	-	(59)	-	(59)
Acquisitions through business combinations	-	(1)	-	(1)
Disposals through the sale of subsidiaries	-	5	-	5
Other disposals	-	12	-	12
Transfer to other asset categories	-	34	-	34
Other movements	-	(4)	-	(4)
Balance at end of year	**(41)**	**(296)**	**-**	**(337)**
Carrying value				
at 31 December 2004	**-**	**244**	**2**	**246**
at 31 December 2005	**231**	**298**	**11**	**540**

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

Intangible assets with indefinite useful lives have been tested for impairment at a country cash-generating unit level (i.e. at or one level below the business unit level) based on the same impairment testing approach as for goodwill – see note 13 *Goodwill* above. The royalty stream that could be obtained from licensing the intangible asset to a third party in an arm's length transaction is also used as an indicator of fair value.

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

Country - Million euro	31 December 2005
UK	97
USA	50
Brazil	45
Russia	24
Germany	15
	231

Since 1 January 2005 InBev is subject to the greenhouse gas emission allowance trading scheme in force in the European Union. Acquired emission allowances are recognized at cost as intangible assets. To the extent that it is expected that the number of allowances needed to settle the CO_2 emissions exceeds the number of emission allowances owned, a provision is recognized. Such a provision is measured at the estimated amount of the expenditure required to settle the obligation. Since it was estimated at 31 December 2005 that the emission allowances owned will fully cover the expected CO_2 emissions, no provision was recognized.

15. Investment securities

Million euro	2005	2004
Non-current investments		
Equity securities available for sale	29	190
Debt securities held to maturity	9	19
Debt securities available for sale	-	65
	38	**274**
Current investments		
Financial assets at fair value through profit or loss - held for trading	173	-
Debt securities held to maturity	-	1
Debt securities available for sale	2	1
	175	**2**

The decrease in non-current equity securities available for sale by 161m euro relates for an amount of 158m euro to the sale of InBev's holding in the Slovenian Pivovarna Union (74m euro) and the Spanish Damm (84m euro).

16. Deferred tax assets and liabilities

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

Million euro	Assets		Liabilities		Net	
	2005	2004	2005	2004	2005	2004
Property, plant and equipment	28	25	(496)	(494)	(468)	(469)
Intangible assets	108	126	(55)	(27)	53	99
Other investments	200	73	(13)	(26)	187	47
Inventories	6	6	(6)	(4)	-	2
Interest-bearing loans and borrowings	12	43	(4)	(3)	8	40
Employee benefits	240	187	(1)	(2)	239	185
Provisions	196	151	(8)	(10)	188	141
Other items	89	116	(25)	(3)	64	113
Loss carry forwards	385	394	-	-	385	394
Gross deferred tax assets/(liabilities)	**1 264**	**1 121**	**(608)**	**(569)**	**656**	**552**
Netting by taxable entity	(334)	(329)	334	329	-	-
Net deferred tax assets/(liabilities)	**930**	**792**	**(274)**	**(240)**	**656**	**552**

On 31 December 2005, a deferred tax liability of 25m euro (2004: 26m euro) relating to investments in subsidiaries has not been recognized because management believes that this liability will not be incurred in the foreseeable future.

Tax losses carried forward on which no deferred tax asset is recognized amount to 654m euro (2004: 434m euro). 411m euro of these tax losses do not have an expiration date. Deferred tax assets have not been recognized on these items because it is not probable that future taxable profits will be available against which the unused tax losses can be utilized.

When reconciling the 2005 deferred income tax expense of 51m euro with the increase in the net deferred tax assets by 104m euro, it should be noted that changes in foreign currency exchange rates increased the net deferred tax assets by 141m euro.

17. Inventories

Million euro	2005	2004
Prepayments	38	43
Raw materials and consumables	513	457
Work in progress	89	80
Finished goods	203	191
Goods purchased for resale	86	76
	929	**847**
Inventories other than work in progress		
Inventories stated at net realizable value	22	13
Carrying amount of inventories subject to collateral	6	5

The cost of inventories recognized as an expense in 2005, amounted to 3 673m euro, included in cost of sales. Last year, this expense amounted to 2 794m euro.

18. Trade and other receivables

Non-current trade and other receivables

Million euro	2005	2004
Trade receivables	43	55
Cash guarantees	24	16
Loans to customers	213	245
Other receivables	349	234
	629	**550**

Current trade and other receivables

Million euro	2005	2004
Trade receivables	1 714	1 500
Interest receivable	21	19
Tax receivable, other than income tax	180	136
Derivative financial instruments with positive fair values	77	31
Other receivables	359	291
	2 351	**1 977**

19. Cash and cash equivalents

Million euro	2005	2004
Short term bank deposits	365	731
Bank current accounts	242	241
Cash	6	4
Cash and cash equivalents	**613**	**976**
Bank overdrafts	**(61)**	**(100)**
	552	**876**

The high balance of short term bank deposits at 31 December 2004 was primarily explained by cash received following the sale of the Femsa business (pre-tax gain of 488m euro – see also note 7 *Non-recurring items*).

20. Changes in equity

The table below summarizes the changes in equity that took place during the years 2004 and 2005:

Million euro	Attributable to equity holders of InBev										Minority interest	Total equity
	Issued capital	Share premium	Treasury shares	Share-based payment reserves	Translation reserves	Hedging reserves	Actuarial gains/ losses	Other reserves	Retained earnings	Total		
As per 31 Dec 2003	**333**	**3 215**	**(6)**	**-**	**(220)**	**(6)**	**-**	**8**	**1 396**	**4 720**	**410**	**5 130**
Changes in accounting policies	-	-	-	4	-	-	(269)	-	(4)	(269)	-	(269)
Restated balance	**333**	**3 215**	**(6)**	**4**	**(220)**	**(6)**	**(269)**	**8**	**1 392**	**4 451**	**410**	**4 861**
Total recognized gains and losses	-	-	-	-	(106)	(14)	49	-	719	648	179	827
Shares issued	111	3 256	-	-	-	-	-	-	-	3 367	-	3 367
Dividends	-	-	-	-	-	-	-	-	(156)	(156)	(15)	(171)
Share-based payments	-	-	-	9	-	-	-	-	-	9	2	11
Scope changes	-	-	-	-	-	-	-	-	-	-	(202)	(202)
As per 31 Dec 2004	**444**	**6 471**	**(6)**	**13**	**(326)**	**(20)**	**(220)**	**8**	**1 955**	**8 319**	**374**	**8 693**

Million euro	Attributable to equity holders of InBev										Minority interest	Total equity
	Issued capital	Share premium	Treasury shares	Share-based payment reserves	Translation reserves	Hedging reserves	Actuarial gains/ losses	Other reserves	Retained earnings	Total		
As per 31 Dec 2004	**444**	**6 471**	**(6)**	**-**	**(326)**	**(20)**	**-**	**8**	**1 959**	**8 530**	**412**	**8 942**
Changes in accounting policies	-	-	-	13	-	-	(220)	-	(4)	(211)	(38)	(249)
Restated balance	**444**	**6 471**	**(6)**	**13**	**(326)**	**(20)**	**(220)**	**8**	**1 955**	**8 319**	**374**	**8 693**
Total recognized gains and losses	-	-	-	-	1 609	6	(86)	-	904	2 433	598	3 031
Shares issued	26	863	-	-	-	-	-	-	-	889	-	889
Dividends	-	-	-	-	-	-	-	-	(225)	(225)	(344)	(569)
Share-based payments	-	-	-	51	-	-	-	-	-	51	9	60
Treasury shares	-	-	(60)	-	-	-	-	-	-	(60)	-	(60)
Prospective adoption IFRS 3	-	-	-	-	-	-	-	-	45	45	-	45
Other	-	-	-	-	-	-	-	-	19	19	7	26
Scope changes	-	-	-	-	-	-	-	-	-	-	(265)	(265)
As per 31 Dec 2005	**470**	**7 334**	**(66)**	**64**	**1 283**	**(14)**	**(306)**	**8**	**2 698**	**11 471**	**379**	**11 850**

Statement of capital

Capital	Million euro	Million shares
Issued capital		
At the end of the previous year	444	576
Changes during the year	26	34
	470	**610**

The company's shares are without par value. At 31 December 2005 388m shares were registered while 222m are bearer shares. The holders of InBev shares are entitled to receive dividends as declared and to one vote per share at shareholders' meetings of the company. The company's authorized, unissued capital amounts to 14m euro.

The 2005 share issuance relates for 31m shares to the acquisition of minority interests in AmBev, Brazil and Sun Interbrew, Russia - see note 13 *Goodwill* above. The remaining balance of 3m shares corresponds with 2005 exercises of InBev share options - see note 24 *Share-based payments*.

Commitments to issue shares

In addition to the 10.9m outstanding share options (see note 24 *Share-based payments)* the company had at 31 December 2005 6 619 warrants outstanding that represent a total of 2.6m shares, exercisable at a weighted average exercise price of 3.24 euro per share. Of these warrants, 6 229 for an aggregate of 2.5m shares, and a weighted average exercise price of 2.92 euro per share, are kept in auto control and will never be exercised. The issuances must be within the authorized capital and must satisfy the conditions for limitation or cancellation of shareholders' preferential rights. At 30 May 2006 all the warrants expire. If all the share options and warrants would be exercised share capital would increase by 10m euro.

Treasury shares

	Million euro	Million shares
At the end of the previous year	6	-
Changes during the year	60	1.9
	66	**1.9**

Using the powers granted during the Extraordinary Shareholders' Meeting of 26 April 2005, the board of directors has decided in June 2005 to initiate a share buy-back program of InBev shares for an amount up to 300m euro. The program will run for a period of twelve months and may be extended thereafter.

The aim of the program is to enhance shareholder value by combining the strong cash-flow generation of the company with the right capital structure. In addition, the program will allow the company to satisfy its obligations under the new incentive programs for the management.

During the year 2005, InBev repurchased 3.5m own shares on the Euronext Brussels Stock Exchange. The shares were measured at the share price of the day for a total value of 109m euro. 1.6m shares were exchanged against AmBev shares by a limited number of AmBev shareholders who are part of the senior management of InBev – see note 24 *Share-based payments*.

Dividends

On 23 February 2006, a dividend of 292m euro, or 0.48 euro per share, is proposed by the board of directors. In accordance with IAS 10 *Events After the Balance Sheet Date*, the dividend has not been recorded in the 2005 financial statements.

Translation reserves

The translation reserves comprise all foreign currency exchange differences arising from the translation of the financial statements of foreign operations. The translation reserves also comprise the portion of the gain or loss on the foreign currency liability and on the derivative financial instrument determined to be an effective net investment hedge in conformity with the IAS 39 hedge accounting rules.

Hedging reserves

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

21. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of InBev of 904m euro (2004: 719m euro) and a weighted average number of ordinary shares outstanding during the year, calculated as follows:

Weighted average number of ordinary shares Million shares	2005	2004
Issued ordinary shares at 1 January	576	432
Effect of shares issued	24	48
Weighted average number of ordinary shares at 31 December	**600**	**480**

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of InBev of 904m euro (2004: 719m euro) and a weighted average number of ordinary shares (diluted) outstanding during the year, calculated as follows:

Weighted average number of ordinary shares (diluted) Million shares	2005	2004
Weighted average number of ordinary shares at 31 December	600	480
Effect of share options and warrants	3	3
Weighted average number of ordinary shares (diluted) at 31 December	**603**	**483**

Earnings per share before goodwill and non-recurring items

The calculation of earnings per share before goodwill and non-recurring items is as follows:

Profit before goodwill and non-recurring items, attributable to equity holders of InBev - Million euro	2005	2004[1]
Profit attributable to equity holders of InBev	904	719
Goodwill amortization	-	190
Non-recurring items, after taxes, attributable to equity holders of InBev	120	(98)
Profit before goodwill and non-recurring items, attributable to equity holders of InBev	**1 024**	**811**

Weighted average number of ordinary shares Million shares	2005	2004
Issued ordinary shares at 1 January	576	432
Effect of shares issued	24	48
Weighted average number of ordinary shares at 31 December	**600**	**480**

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Non-recurring items, after taxes, attributable to equity holders of InBev	120	(98)
Profit before goodwill and non-recurring items, attributable to equity holders of InBev	**1 024**	**811**

1 2004 as published, restated for the impact of the adoption of IFRS 2 *Share-based Payment* (reduction of profit attributable to equity holders of InBev by 9m euro) and for the impact of the early adoption of the IAS 19 *Employee Benefits* option to recognize actuarial gains and losses in full in the period in which they occur in the statement of recognized gains and losses (increase of profit attributable to equity holders of InBev by 9m euro).

Weighted average number of ordinary shares (diluted) Million shares	2005	2004
Weighted average number of ordinary shares at 31 December	600	480
Effect of share options and warrants	3	3
Weighted average number of ordinary shares (diluted) at 31 December	**603**	**483**

Earnings per share before goodwill

The calculation of earnings per share before goodwill is as follows:

Profit before goodwill amortization and impairment, attributable to equity holders of InBev - Million euro	2005	2004 [1]
Profit attributable to equity holders of InBev	904	719
Goodwill amortization	-	190
Goodwill impairment	-	26
Profit before goodwill amortization and impairment, attributable to equity holders of InBev	**904**	**935**

Weighted average number of ordinary shares Million shares	2005	2004
Issued ordinary shares at 1 January	576	432
Effect of shares issued	24	48
Weighted average number of ordinary shares at 31 December	**600**	**480**

A total of 2.8m share options was not included in the 2005 calculation of diluted earnings per share (2004: 3.3m) because they are antidilutive for the years presented.

22. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the company's interest-bearing loans and borrowings. For more information about the company's exposure to interest rate and foreign currency risk, refer to note 27 *Financial Instruments*.

Non-current liabilities

Million euro	2005	2004
Secured bank loans	137	87
Unsecured bank loans	2 927	171
Unsecured bond issues	1 222	1 800
Unsecured other loans	172	150
Finance lease liabilities	8	9
	4 466	**2 217**

Current liabilities

Million euro	2005	2004
Secured bank loans	67	51
Unsecured bank loans	936	1 941
Unsecured bond issues	132	34
Secured other loans	32	-
Unsecured other loans	2	26
Unsecured bank facilities	-	18
Finance lease liabilities	2	4
	1 171	**2 074**

1 2004 as published, restated for the impact of the adoption of IFRS 2 *Share-based Payment* (reduction of profit attributable to equity holders of InBev by 9m euro) and for the impact of the early adoption of the IAS 19 *Employee Benefits* option to recognize actuarial gains and losses in full in the period in which they occur in the statement of recognized gains and losses (increase of profit attributable to equity holders of InBev by 9m euro).

Terms and debt repayment schedule

Million euro	Total	1 year or less	1-2 years	2-5 years	More than 5 years
Secured bank loans	203	67	2	121	13
Unsecured bank loans	3 864	936	82	805	2 041
Unsecured bond issues	1 354	132	42	221	959
Secured other loans	32	32	-	-	-
Unsecured other loans	174	2	7	3	162
Unsecured bank facilities	-	-	-	-	-
Finance lease liabilities	10	2	2	3	3
	5 637	**1 171**	**135**	**1 153**	**3 178**

Finance lease liabilities

Million euro	Payments 2005	Interest 2005	Principal 2005	Payments 2004	Interest 2004	Principal 2004
Less than one year	2	-	2	4	-	4
Between one and five years	6	1	5	6	1	5
More than five years	2	1	1	5	1	4
	10	**2**	**8**	**15**	**2**	**13**

23. Employee benefits

InBev maintains in several countries in which the group operates post-employment benefit plans such as pensions and medical care plans as well as other long-term employee benefit plans. In accordance with IAS 19 *Employee Benefits* post-employment benefit plans are classified as either defined contribution plans or defined benefit plans.

Defined contribution plans

For defined contribution plans, InBev pays contributions to publicly or privately administered pension funds or insurance contracts. Once the contributions have been paid, the group has no further payment obligation. The regular contribution expenses constitute an expense for the year in which they are due. For 2005, the defined contribution expenses for the company amounted to 4m euro compared to 3m euro for 2004.

Defined benefit plans

The company makes contributions to 56 defined benefit plans of which 44 are retirement plans in the form of final pay programs and 12 are medical cost plans. The retirement plans have been established in accordance with applicable legal requirements and common practice in each country. Most plans provide benefits related to pay and years of service.
The German, French, Russian, Luxemburg and part of the Belgian, Brazilian, Canadian, UK and US plans are unfunded.
The assets of the other plans are held in legally separate funds set up following the local statutory requirements.
The medical cost plans in Canada, US, Belgium and Brazil provide medical benefits to former employees after retirement.

The total expense for 2005 related to defined benefit plans for the group amounted to 92m euro compared to 83m for 2004.

The present value of funded obligations includes a 120m euro liability related to two medical plans, for which the benefits are provided through the Fundação Antonio Helena Zerrenner (“FAHZ”). The FAHZ is a legally distinct entity which provides medical, dental, educational and social assistance to current and retired employees of AmBev. On 31 December 2005, the actuarial liabilities related to the benefits provided by the FAHZ are fully offset by an equivalent amount of assets existing in the fund. The net liability recognized in the balance sheet is nil.

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

Million euro	2005	2004
Present value of funded obligations	(2 375)	(1 823)
Fair value of plan assets	2 005	1 514
Present value of net obligations for funded plans	**(370)**	**(309)**
Present value of unfunded obligations	(454)	(344)
Present value of net obligations	**(824)**	**(653)**
Unrecognized past service cost	(5)	11
Unrecognized asset	(86)	(61)
Net liability	**(915)**	**(703)**
Employee benefits amounts in the balance sheet:		
Liabilities	(935)	(742)
Assets	20	39
Net liability	**(915)**	**(703)**

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

Million euro	2005	2004
Defined benefit obligation at 1 January	**(2 167)**	**(1 739)**
Service cost	(58)	(50)
Interest cost	(156)	(109)
Actuarial gains and (losses)	(277)	(58)
(Losses) and gains on curtailments	(13)	(3)
Changes in consolidation scope	3	(61)
Reclassifications from provisions	(19)	-
Exchange differences	(277)	(199)
Benefits paid	135	52
Defined benefit obligation at 31 December	**(2 829)**	**(2 167)**

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

Million euro	2005	2004
Fair value of plan assets at 1 January	**1 514**	**1 094**
Expected return	144	90
Actuarial gains and (losses)	133	28
Assets distributed on settlement	(1)	(1)
Changes in consolidation scope	-	-
Exchange differences	350	355
Benefits paid	(135)	(52)
Fair value of plan assets at 31 December	**2 005**	**1 514**

The actual return on plan assets in 2005 and 2004 was 207m euro and 127m euro respectively.
The expense recognized in the income statement with regard to defined benefit plans can be detailed as follows:

Million euro	2005	2004
Current service costs	(58)	(50)
Interest cost	(156)	(109)
Expected return on plan assets	144	90
Recognized past service cost	(8)	(10)
Gains/(losses) on settlements or curtailments	(14)	(4)
	(92)	**(83)**

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

Million euro	2005	2004
Cost of sales	(20)	(17)
Distribution expenses	(17)	(15)
Sales and marketing expenses	(11)	(15)
Administrative expenses	(28)	(31)
Other operating income/(expenses)	-	4
Non-recurring items	(16)	(9)
	(92)	**(83)**

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) can be summarized as follows:

	2005	2004
Discount rate at 31 December	5.6%	5.9%
Expected return on plan assets at 31 December	8.5%	8.3%
Future salary increases	3.4%	3.4%
Future pension increases	2.6%	1.4%
Medical cost trend rate	9.3% p.a. reducing to 6.4%	10.8% p.a. reducing to 5.5%
Dental claims trend rate	4%	4%

Assumed medical cost trend rates have a significant effect on the amounts recognized in profit or loss. A one percentage point change in the assumed medical cost trend rates would have the following effects:

	2005		2004	
	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost of medical plans	(5)	4	(4)	3
Effect on the defined benefit obligation for medical costs	(53)	46	(36)	32

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

	2005	2004
Government bonds	21%	20%
Corporate bonds	19%	20%
Equity instruments	56%	56%
Property	1%	1%
Cash	1%	1%
Insurance contracts	2%	2%
	100%	**100%**

The plan assets include indirect investments in ordinary shares issued by the company at a total fair value of 1m euro. The expected rates of return on individual categories of plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the total investment portfolio.

The five year history of the present value of the defined benefit obligation, the fair value of the plan assets and the deficit in the plans is as follows:

	2005	2004	2003	2002	2001
Present value of the defined benefit obligation	(2 829)	(2 167)	(1 739)	(1 492)	(2 765)
Fair value of plan assets	2 005	1 514	1 094	904	2 504
Deficit	(824)	(653)	(645)	(588)	(261)
Experience adjustments: (increase)/decrease plan liabilities	(33)	-	-	-	-
Experience adjustments: increase/(decrease) plan assets	118	108	-	-	-

The increase in the deficit between the years 2001 and 2002 by 327m euro is for an amount of 282m euro explained by the sale in 2002 of Carling Brewers because of the surplus in the pension plan of this business.

InBev expects to contribute approximately 105m euro to its defined benefit plans in 2006.

24. Share-based payments

Different share option programs allow company senior management and members of the board of directors to acquire shares of InBev or AmBev. The fair value of these share-based payment compensations is estimated at grant date, using the Black-Scholes-Merton option pricing model, and expensed over the vesting period.

The weighted average fair value of the options and assumptions used in applying the InBev option pricing model are as follows:

Amounts in euro unless otherwise indicated	31 December 2005	31 December 2004
Fair value of options granted	6.82	7.88
Share price	24.37	25.49
Exercise price	24.06	23.02
Expected volatility	22%	24%
Expected option life (in years)	6	6
Expected dividends	1.37%	1.31%
Risk-free interest rate	3.58%	3.79%

Expected volatility is based on historical volatility (exponentially weighted moving average) calculated using 250 days of historical data.

During 2005 InBev issued 2m options under its long-term incentive program for senior management representing a fair value of approximately 12m euro. One third of these rights vests on 1 January 2007, one third on 1 January 2008 and one third on 1 January 2009. The rights under this grant expire in April 2015.

The total number of outstanding options developed as follows:

Million options	2005	2004
Options outstanding at 1 January	11.4	9.9
Options issued during the year	2.0	3.4
Options exercised during the year	(2.3)	(1.8)
Options forfeited during the year	(0.2)	(0.1)
Options outstanding at 31 December	**10.9**	**11.4**

The range of exercise prices of the outstanding options is between 11.65 euro and 32.70 euro while the weighted average remaining contractual life is 7.8 years.

Of the 11m outstanding options, 5m options are vested at 31 December 2005.

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

Amounts in euro	2005	2004
Options outstanding at 1 January	23.42	21.70
Granted during the period	27.08	23.02
Forfeited during the period	27.45	26.42
Exercised during the period	22.25	13.19
Expired during the period	-	-
Outstanding at the end of the period	24.24	23.42
Exercisable at the end of the period	24.39	23.61

For share options exercised during 2005 the weighted average share price at the date of exercise was 33.39 euro.

In October 2004 AmBev issued 9m options under its share ownership plan. The weighted average fair value of the options and assumptions used in applying the AmBev option pricing model are as follows:

Amounts in euro unless otherwise indicated	31 December 2004
Fair value of options granted	0.31
Share price	0.6715
Exercise price	0.5858
Expected volatility	32%
Expected option life (in years)	3
Expected dividends	1.21%
Risk-free interest rate	16.4%

During 2005 AmBev did not issue any share options to employees. During the third quarter of 2005, a limited number of AmBev shareholders who are part of the senior management of InBev were given the opportunity to exchange AmBev shares against a total of 1.6m InBev shares at a discount of 16.7 % provided that they stay in service for another five years. The fair value of this transaction amounts to approximately 8m euro and is expensed over the five year service period. The fair values of the AmBev and InBev shares were determined based on the market price.

Since 2005 bonuses granted to company employees and management will be partially settled in shares.

The above described share-based payment transactions resulted in a total expense of 59m euro for the year 2005 and 10m euro for the year 2004.

25. Provisions

Million euro	Restructuring	Disputes	Other	Total
Balance at 1 January	91	358	134	583
Effect of changes in foreign exchange rates	3	100	3	106
Changes in consolidation scope	1	-	1	2
Provisions made	198	132	5	335
Provisions used	(36)	(20)	(8)	(64)
Provisions reversed	(4)	(138)	(30)	(172)
Other movements	(17)	(3)	6	(14)
Balance at 31 December	**236**	**429**	**111**	**776**
Non-current balance at end of year	70	416	92	578
Current balance at end of year	166	13	19	198
	236	**429**	**111**	**776**

The increase in restructuring provisions is primarily explained by InBev's execution of its *Biggest to Best* strategy as explained in note 7 *Non-recurring items* above. It is expected that the majority of these provisions will be used during 2006. Provisions for disputes mainly relate to various disputed direct and indirect taxes and to claims from former employees.

26. Trade and other payables

Non-current trade and other payables

Million euro	2005	2004
Trade payables	3	2
Cash guarantees	6	6
Other payables	260	393
	269	**401**

The significant decrease in other payables is primarily explained by the settlement of a large portion of the payable to the former shareholders of Gabriel Sedlmayr Spaten-Franziskaner Bräu KgaA upon exercise of a part of their put option on the 12.8% stake in InBev Germany Holding GmbH, Bremen. At 31 December 2005 a put option on 2.18% remains outstanding.

Current trade and other payables

Million euro	2005	2004
Trade payables	1 337	1 223
Payroll and social security payables	363	344
Tax payable, other than income tax	704	611
Interest payable	46	71
Consigned packaging	325	277
Cash guarantees	12	13
Derivative financial instruments with negative fair values	189	222
Dividends payable	19	9
Other payables	468	514
	3 463	**3 284**

27. Financial instruments

Terms, conditions and risk management policies

Exposure to foreign currency, interest rate, commodity prices and credit risk arises in the normal course of InBev's business. The company's focus is to understand each of these risks individually as well as on an interconnected basis, and to define strategies to manage the economic impact on the company's performance in line with its financial risk management policy. The risk management committee meets on a monthly basis and is responsible for reviewing the results of the risk assessment, approving recommended risk management strategies, monitoring compliance with the financial risk management policy and reporting to the finance committee of the board of directors.

Some of these risk management strategies include the usage of derivatives. Derivatives are instruments, the value of which is derived from one or more underlying assets, reference prices or indices. Derivatives create rights and obligations that, fully or partly, transfer financial risks between the contract parties.

Derivatives used by the company mainly include forward exchange contracts, exchange traded foreign currency futures, interest rate swaps, collars, cross currency interest rate swaps, aluminum swaps, exchange traded sugar futures and exchange traded wheat futures. InBev's policy prohibits the use of derivatives in the context of trading.

The following table provides an overview of the derivative financial instruments outstanding on 31 December 2005 by maturity bucket. The amounts included in this table are the notional amounts.

Derivatives - Million euro	< 1 year	1-5 years	> 5 years
Foreign currency			
Forward exchange contracts	1 615	223	475
Foreign currency futures	94	-	-
Interest rate			
Interest rate swaps	176	558	865
Cross currency interest rate swaps	-	850	65
Options (collars)	18	-	-
Commodities			
Aluminum swaps	43	-	-
Sugar futures	11	-	-
Wheat futures	8	-	-

Foreign currency risk

InBev incurs foreign currency risk on borrowings, investments, (forecasted) sales, (forecasted) purchases, royalties, dividends, licenses, management fees and interest expense/income whenever they are denominated in a currency other than the functional currency of the subsidiary. The currencies giving rise to this risk are primarily Brazilian real, Canadian dollar, pound sterling and US dollar.

The main derivative financial instruments used to manage foreign currency risk are forward exchange contracts, exchange traded foreign currency futures and cross currency interest rate swaps ("CCIRS").

As far as foreign currency risk on borrowings is concerned, it is InBev's policy to have the debt in the subsidiaries as much as possible in the functional currency of the subsidiary. To the extent this is not the case, hedging is put in place.

As far as foreign currency risk on firm commitments and forecasted transactions is concerned, InBev's policy is to hedge operational transactions which are reasonably expected to occur (e.g. cost of goods sold and selling, general & administrative expenses) within maximum 15 months. Operational transactions that are certain (e.g. capital expenditure) are hedged without any limitation in time. Dividends are hedged as soon as they are declared unless the functional currency of the subsidiary, receiving the dividend, is considered a weak currency. Non operational transactions (e.g. acquisitions and disposals of subsidiaries) are hedged as soon as they are certain.

The table below provides an indication of the company's net foreign currency positions as regards firm commitments and forecasted transactions per 31 December 2005 for the most important currency pairs. The open positions are the result of the application of InBev's risk management policy. Positive amounts indicate that the company is long (net future cash inflows) in the first currency of the currency pair while negative amounts indicate that the company is short (net future cash outflows) in the first currency of the currency pair.

Million euro	Total exposure	Total derivatives	Open position
Brazilian real / euro	66	(66)	-
Canadian dollar / euro	36	(34)	2
Chinese yuan / euro	(632)	628	(4)
Czech koruna / euro	11	(11)	-
Hungarian forint/ euro	14	(14)	-
Pound sterling / euro	43	(43)	-
South Korean won / euro	7	(7)	-
Ukrainian hryvnia / euro	34	-	34
US dollar / Brazilian real	(270)	270	-
US dollar / Canadian dollar	(28)	39	11
US dollar / euro	101	(97)	4
US dollar / Pound sterling	34	(34)	-
US dollar / South Korean won	11	(11)	-
US dollar / Ukrainian hryvnia	(10)	-	(10)

Cash flow hedge accounting
In conformity with the IAS 39 hedge accounting rules, hedges of firm commitments and highly probable forecasted transactions are designated as cash flow hedges. Consequently, the portion of the gain or loss on the hedging instrument that qualifies as an effective hedge is recognized directly in equity (hedging reserves). On these cash flow hedges a net loss before tax of 30m euro has been recognized directly in equity during 2005 (last year a net loss before tax of 15m euro was recognized). The cumulative outstanding hedge accounting reserve in equity amounts to a net loss before tax of 29m euro at 31 December 2005 compared to a net gain before tax of 1m euro at the end of last year.

Net investment hedge accounting
The company uses euro/pound sterling cross currency interest rate swaps (nominal amount of 180m pound sterling) to hedge the foreign currency risk from the net investment in the UK subsidiary Nimbuspath. In conformity with the IAS 39 hedge accounting rules, these CCIRS's were designated as net investment hedges. Consequently, the portion of the gain or loss on the hedging instrument that qualifies as an effective hedge is recognized directly in equity (translation reserves). On these net investment hedges, a net loss before tax of 8m euro has been recognized directly in equity during 2005 compared to 0m euro in 2004. The cumulative outstanding hedge accounting reserve in equity amounts to a net loss before tax of 3m euro at 31 December 2005 compared to a net gain before tax of 5m euro at 31 December 2004.

A description of the foreign currency risk hedging related to the private placements and the US dollar bonds is given below.

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

Floating interest rate risk on borrowings in euro
The company entered into several interest rate swaps to hedge the floating interest rate risk on 1 018m euro (last year 778m euro) of a credit facility agreement with a total amount outstanding at 31 December 2005 of 1 066m euro (last year 800m euro).

In conformity with the IAS 39 hedge accounting rules, all hedges were designated as cash flow hedges. Consequently, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity (hedging reserves). On these cash flow hedges, a net gain before tax of 24m euro has been recognized directly in equity in 2005 (last year a net loss before tax of 8m euro was recognized). The cumulative outstanding hedge accounting reserve in equity amounts to a net gain before tax of 8m euro per 31 December 2005 compared to a net loss before tax of 16m euro at the end of last year.

Floating interest rate risk on borrowings in Canadian dollar
The company entered into several interest rate swaps and collars to hedge the floating interest rate risk on 185m Canadian dollar (last year 435m Canadian dollar) of debt with a total amount outstanding at 31 December 2005 of 700m Canadian dollar (last year 800m Canadian dollar).

In conformity with the IAS 39 hedge accounting rules, the hedges were designated as cash flow hedges. Consequently, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity (hedging reserves). For these cash flow hedges, a net gain before tax of 3m euro has been recognized directly in equity in 2005 (last year a net gain before tax of 1m euro). The cumulative outstanding hedge accounting reserve in equity amounts to a net loss before tax of 2m euro at 31 December 2005 compared to a net loss before tax of 5m euro at 31 December 2004.

A description of the interest rate risk hedging related to the private placements and the US dollar bonds is given below.

Private placement hedges (foreign currency risk + interest rate risk on borrowings in US dollar)

a) Private placement of 162m US dollar maturing on 23 July 2008
To hedge the US dollar and fixed interest rate risk from InBev's private placement of 162m US dollar, the company entered into three US dollar fixed / Canadian dollar floating cross currency interest rate swaps for the full amount of the private placement. The maturity date of these cross currency interest rate swaps is identical to the maturity date of the private placement, being 23 July 2008. In conformity with the IAS 39 hedge accounting rules these hedges were designated as fair value hedges. Consequently, the changes in fair value of the CCIRS's as well as the change in fair value of the private placement attributable to changes in foreign exchange rates and risk-free interest rates are recognized in the income statement.

b) Private placement of 850m US dollar of which:
- 300m US dollar matures in 2009;
- 475m US dollar matures in 2010;
- 75m US dollar matures in 2013.

The company hedged the foreign currency and fixed interest rate risk of 730m US dollar of the private placement (180m US dollar of tranche 2009, full tranche 2010 and full tranche 2013) by entering into US dollar fixed / euro floating cross currency interest rate swaps for a total amount of 730m US dollar expiring in 2009, 2010 and 2013. In conformity with the IAS 39 hedge accounting rules these hedges were designated as fair value hedges. Consequently, the changes in fair value of the CCIRS's as well as the change in fair value of the private placement attributable to changes in foreign exchange rates and risk-free interest rates are recognized in the income statement.

In addition, two US dollar fixed / euro fixed CCIRS's (nominal amount of 120m US dollar) were entered into to convert for an amount of 120m US dollar (piece of tranche 2009) the fixed US dollar interest rate exposure into a fixed euro interest rate. In conformity with the IAS 39 hedge accounting rules these hedges are designated as cash flow hedges. Consequently, the portion of the gain or loss on the CCIRS's that is determined to be an effective hedge is recognized directly in equity (hedging reserves). For these cash flow hedges, a net gain before tax of 12m euro has been recognized directly in equity in 2005 (last year a net loss before tax of 11m euro was recognized). The cumulative outstanding hedge accounting reserve in equity amounts to a net loss before tax of 8m euro at 31 December 2005 compared to a net loss before tax of 20m euro at 31 December 2004.

AmBev bond hedges (foreign currency risk + interest rate risk on borrowings in US dollar)

In December 2001 AmBev, which became part of InBev in 2004, issued 500m US dollar in foreign securities (bond 2011). This bond bears interest at 10.7% and is repayable semi-annually as from July 2002 with final maturity in December 2011. In September 2003 AmBev issued another 500m US dollar in foreign securities (bond 2013). This bond bears interest at 8.75% and is repayable semi-annually as from March 2004 with final maturity in September 2013.

AmBev entered into several US dollar fixed / Brazilian real floating cross currency interest rate swaps, forward exchange contracts and exchange traded foreign currency futures to manage and reduce the impact of changes in the US dollar exchange rate and interest rate on these bonds. Although the hedges are economic hedges, not all conditions were met in 2005 to apply hedge accounting in accordance with IAS 39. The changes in fair value of these derivatives are therefore recognized directly in the income statement without the offsetting fair value changes of the US dollar borrowings, attributable to changes in the hedged risks, being recognized. For 2005, this resulted in the recognition of a net gain before tax in the income statement of 7m euro compared to a net gain before tax of 27m euro in 2004.

In December 2005, a number of these contracts have been restructured and, in conformity with the IAS 39 hedge accounting rules, have been designated as fair value hedges. Consequently, the changes in fair value of those contracts as well as the change in fair value of the US dollar borrowings, attributable to changes in foreign exchange rates and risk-free interest rates, are recognized in the income statement since December 2005.

Commodity risk

The commodity markets have experienced and will continue to experience price fluctuations. InBev therefore uses both fixed price purchasing contracts and commodity derivatives to minimize exposure to commodity price volatility. The company has material exposure to the following commodities: aluminum, cans, corn grits, corn syrup, corrugated, crowns, glass, hops, labels, malt and wheat. On 31 December 2005 the company has the following commodity derivatives outstanding: aluminum swaps, exchange traded sugar futures and exchange traded wheat futures.

In conformity with the IAS 39 hedge accounting rules these hedges are designated as cash flow hedges. Consequently, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity (hedging reserves). On these cash flow hedges, a net gain before tax of 9m euro has been recognized directly in equity in 2005 (last year a net gain before tax of 3m euro was recognized). The cumulative outstanding hedge accounting reserve in equity amounts to a net gain before tax of 12m euro at 31 December 2005 compared to a net gain before tax of 3m euro.

Credit risk

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

InBev mitigates its exposure to counterparty credit risk through minimum counterparty credit guidelines, diversification of counterparties, working within agreed counterparty limits and through setting limits on the maturity of financial assets. The company has furthermore master netting agreements with most of the financial institutions that are counterparties to the derivative financial instruments. These agreements allow for the net settlement of assets and liabilities arising from different transactions with the same counterparty. Based on these factors, InBev considers the risk of counterparty default per 31 December 2005 to be minimal.

InBev has established minimum counterparty credit ratings and enters into transactions only with financial institutions of investment grade or better. The company monitors counterparty credit exposures closely and reviews any downgrade in credit rating immediately. To mitigate presettlement risk, minimum counterparty credit standards become more stringent as the duration of the derivative financial instruments increases. To minimize the concentration of counterparty credit risk, the company enters into derivative transactions with a portfolio of financial institutions. There was no significant concentration of credit risks with any single counterparty per 31 December 2005.

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 conformity with IAS 39 all derivatives are recognized at fair value in the balance sheet.

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

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

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

Derivatives - Million euro	Fair value 2005	Fair value 2004
Forward exchange contracts		
Assets	46	15
Liabilities	(94)	(4)
Foreign currency futures		
Assets	-	-
Liabilities	-	-
Interest rate swaps		
Assets	17	-
Liabilities	(9)	(22)
Cross currency interest rate swaps		
Assets	-	13
Liabilities	(85)	(195)
Options (collars)		
Assets	-	-
Liabilities	-	-
Aluminum swaps		
Assets	10	-
Liabilities	-	-
Sugar futures		
Assets	3	3
Liabilities	-	-
Wheat futures		
Assets	-	-
Liabilities	-	(1)
Total	**(112)**	**(191)**

The following table compares the carrying amounts of the most important fixed rate interest-bearing financial liabilities with their fair values at 31 December 2005:

Interest-bearing financial liabilities - Million euro	Carrying amount 2005	Fair value 2005	Carrying amount 2004	Fair value 2004
Fixed rate				
Argentinean peso	(103)	(103)	-	-
Brazilian real	-	-	(106)	(106)
Canadian dollar	(101)	(111)	(30)	(30)
Euro	(187)	(188)	-	-
Hungarian forint	(29)	(29)	-	-
Russian ruble	(256)	(256)	(175)	(175)
South Korean won	(127)	(127)	(128)	(128)
US dollar	(2 099)	(2 264)	(1 844)	(1 796)
Total	**(2 902)**	**(3 078)**	**(2 283)**	**(2 235)**

InBev holds an option to buy as from 2006 a 5 % additional stake in our South Korean affiliate, Oriental Breweries. This derivative is included in other non-current receivables and measured at cost (22m euro) because no quoted market price in an active market is available and the use of valuation techniques would lead to an unreliable measurement.

Effective interest rates and repricing analysis

In respect of interest-bearing financial liabilities, the tables below indicate their effective interest rates at balance sheet date as well as the periods in which they reprice.

Interest-bearing financial liabilities Million euro	2005				
	Effective interest rate	Carrying amount	< 1 year	1-5 years	> 5 years
Floating rate					
Brazilian real	9.56 %	406	406	-	-
Canadian dollar	3.45 %	510	510	-	-
Euro	2.58 %	1 066	1 066	-	-
Hungarian forint	6.37 %	8	8	-	-
Pound sterling	4.91 %	33	33	-	-
South Korean won	4.99 %	101	101	-	-
Ukrainian hryvna	10.14 %	57	57	-	-
US dollar	5.46 %	360	360	-	-
Total		**2 541**	**2 541**	**-**	**-**
Fixed rate					
Argentinean peso	9.92 %	103	39	64	-
Canadian dollar	6.98 %	101	-	36	65
Euro	2.68 %	187	174	6	7
Hungarian forint	6.42 %	29	29	-	-
Russian ruble	8.36 %	256	256	-	-
South Korean won	5.61 %	127	59	68	-
US dollar	6.10 %	2 099	240	919	940
Total		**2 902**	**797**	**1 093**	**1 012**
Other[1]		194	-	-	-
Overdraft facilities		61	-	-	-
Total		**5 698**	**3 338**	**1 093**	**1 012**

Interest-bearing financial liabilities Million euro	2004				
	Effective interest rate	Carrying amount	< 1 year	1-5 years	> 5 years
Floating rate					
Brazilian real	12.15 %	171	171	-	-
Canadian dollar	3.27 %	569	569	-	-
Euro	2.52 %	800	800	-	-
South Korean won	4.30 %	41	41	-	-
Ukrainian hryvna	15.88 %	31	31	-	-
US dollar	6.49 %	239	239	-	-
Total		**1 851**	**1 851**	**-**	**-**
Fixed rate					
Brazilian real	4.90 %	106	26	58	22
Canadian dollar	6.07 %	30	-	30	-
Russian ruble	8.91 %	175	109	66	-
South Korean won	6.52 %	128	43	85	-
US dollar	6.57 %	1 844	235	456	1 153
Total		**2 283**	**413**	**695**	**1 175**
Other[1]		157	-	-	-
Overdraft facilities		100	-	-	-
Total		**4 391**	**2 264**	**695**	**1 175**

1 Other interest bearing financial liabilities include loans and finance lease liabilities in many different currencies at both fixed and floating rate.

Taking into account the impact of foreign currency and interest rate hedging, the effective interest rates and repricing analysis is as follows:

Interest-bearing financial liabilities Million euro	2005				
	Effective interest rate	Amount	< 1 year	1-5 years	> 5 years
Floating rate					
Brazilian real	16.29%	1 539	1 539	-	-
Canadian dollar	3.52%	747	747	-	-
Euro	2.68%	928	928	-	-
Hungarian forint	6.37%	8	8	-	-
Pound sterling	5.04%	191	191	-	-
South Korean won	4.99%	101	101	-	-
Ukrainian hryvna	10.14%	57	57	-	-
US dollar	5.46%	360	360	-	-
Total		**3 931**	**3 931**	**-**	**-**
Fixed rate					
Argentinean peso	9.92%	103	39	64	-
Canadian dollar	6.07%	36	-	36	-
Euro	3.64%	805	292	506	7
Hungarian forint	6.42%	29	29	-	-
Pound sterling	5.62%	106	-	106	-
Russian ruble	8.36%	256	256	-	-
South Korean won	5.61%	127	59	68	-
US dollar	7.31%	132	2	105	25
Total		**1 594**	**677**	**885**	**32**

Interest-bearing financial liabilities Million euro	2004				
	Effective interest rate	Amount	< 1 year	1-5 years	> 5 years
Floating rate					
Brazilian real	16.99%	1 245	1 245	-	-
Canadian dollar	3.27%	437	437	-	-
Euro	2.52%	426	426	-	-
Pound sterling	5.41%	132	132	-	-
South Korean won	4.30%	41	41	-	-
Ukrainian hryvna	15.88%	31	31	-	-
US dollar	6.49%	239	239	-	-
Total		**2 551**	**2 551**	**-**	**-**
Fixed rate					
Brazilian real	4.90%	106	26	58	22
Canadian dollar	4.11%	281	152	129	-
Euro	3.95%	778	160	618	-
Pound sterling	5.08%	88	-	88	-
Russian ruble	8.91%	175	109	66	-
South Korean won	6.52%	128	43	85	-
US dollar	7.50%	27	12	3	12
Total		**1 583**	**502**	**1 047**	**34**

28. Operating leases

Leases as lessee

Non-cancelable operating leases are payable as follows:

Million euro	2005	2004
Less than one year	110	139
Between one and five years	468	467
More than five years	244	220
	822	**826**

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

InBev has sublet some of the leased properties. Sublease payments of 55m euro are expected to be received during the following financial year, 277m euro between one and five years, and 149m euro over more than five years.

In 2005, 52m euro was recognized as an expense in the income statement in respect of operating leases (2004: 52m euro).

Leases as lessor

The company leases out part of its property under operating leases. Non-cancelable operating leases are receivable as follows:

Million euro	2005	2004
Less than one year	23	41
Between one and five years	159	167
More than five years	102	106
	284	**314**

In 2005, 102m euro (2004: 76m euro) was recognized as rental income in the income statement.

29. Financial guarantees, collateral and contractual commitments for the acquisition of property, plant and equipment

Million euro	2005	2004
Financial guarantees given for third party commitments	201	208
Financial guarantees given for own commitments	155	174
Collateral given for third party liabilities	-	10
Collateral given for own liabilities	353	255
Contractual commitments to purchase property, plant and equipment	129	136

InBev's maximum exposure if all the financial guarantees given would be called on amounts to 356m euro and 382m euro at respectively 31 December 2005 and 2004. The carrying amount of financial assets and property, plant and equipment pledged as collateral at 31 December 2005 amounts to respectively 207m euro and 123m euro.

30. Contingencies

InBev USA L.L.C., Labatt Brewing Company Limited, and numerous other U.S., Canadian and European beer and alcohol producers have been named in a putative class action lawsuit seeking damages and injunctive relief over alleged marketing of alcoholic beverages to underage consumers. Lawsuits have been filed in various states to date, predominantly by the same firm. The lawsuits are all essentially similar in nature. InBev USA L.L.C. and Labatt Brewing Company Limited are named in several of the suits. The company will vigorously defend this litigation. It is not possible at this time to estimate the possible range of loss, if any, of this lawsuit.

Certain subsidiaries of AmBev have received tax assessments totaling 3 010m real, related to corporate Brazilian taxation of income generated outside Brazil. On 19 October 2005, AmBev was officially notified of an administrative Lower Court decision, recognizing that a substantial portion of the amount of the tax assessment mentioned above was incorrect. This decision reduced the amount of such tax assessments to 2 453m real (approximately 888m euro). AmBev disputes the validity of these tax assessments and intends to vigorously defend its case. No provision has been recorded related to these tax assessments.

31. Jointly controlled entities

InBev reports its interest in jointly controlled entities using the line-by-line reporting format for proportionate consolidation. Aggregate amounts of InBev's interest are as follows:

Million euro	2005	2004
Non-current assets	969	689
Current assets	203	145
Non-current liabilities	280	183
Current liabilities	208	151
Revenue	433	139
Result from operations	128	30
Profit attributable to equity holders	34	5

Quinsa option

In January 2003, InBev's subsidiary AmBev acquired from Beverage Associates Corporation (BAC) 230 920 000 Class A and 26 388 914 Class B shares of Quilmes SA as well as capital stock of QIB, a subsidiary of Quilmes SA. As part of the share purchase agreement, AmBev granted BAC a put option (exercisable in April of each year beginning in April 2003) and BAC granted AmBev a call option (exercisable in April of each year beginning in April 2009) on the remaining 373 520 000 Quilmes SA Class A shares in exchange for newly issued shares of AmBev, total number of which is to be determined using parameters reflecting market conditions of the Quilmes SA and AmBev shares at exercise date, and as a result, no intermediate fair value fluctuations affect InBev's accounts. The share price as of 31 December 2005 of the aforementioned Class A shares on the Luxemburg stock exchange amounted to 1.30 euro.

32. Related parties

Transactions with directors and executive board management members (key management personnel)

Loans to directors and executive board management members, amounting to 0.8m euro (2004: 1.6m euro) are included in "other receivables" (refer note 18) of which 0.3m euro are interest-bearing (2004: 0.5m euro).

In addition to salaries, the company also provides non-cash benefits to executive board management members, and contributes to a post-employment defined benefit plan on their behalf. In accordance with the terms of the plan, executive board management 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 company) or a corresponding lump sum payment. In the case of early retirement the annual payment is reduced based on actuarial calculations and the terms of the pension plan. Executive board management members also participate in the company's share option program (refer note 24).

Total directors and executive board management compensation included in the income statement can be detailed as follows:

Million euro	31 December 2005		31 December 2004[1]	
	Directors	Executive board management	Directors	Executive board management
Short-term employee benefits	2	23	1	20
Post-employment benefits	-	2	-	3
Termination benefits	-	31	-	7
Share-based payments	1	15	1	2
	3	**71**	**2**	**32**

Directors' compensation consist mainly of directors' fees (tantièmes).

33. Events after the balance sheet date

On 23 January, InBev announced that it has reached agreement with various parties to acquire, in a series of transactions, 100% of the equity interests in Fujian Sedrin Brewery Co. Ltd. ('Fujian Sedrin'), the largest brewer in the Fujian province of China, for a total cash consideration of 5 886m RMB (equivalent to 614m euro). An initial equity stake of 39.48% is acquired from Fujian Sedrin's state-owned shareholders immediately, following receipt of regulatory approval. The balance of 60.52% will be acquired from various other shareholders in one or more stages, before the end of 2006. The acquisition allows the creation of InBev Sedrin, a 100% owned foreign InBev operation.

1 Restated to include share-based payment expense.

34. InBev companies

Listed below are the most important InBev companies. A complete list of the company's investments is available at InBev NV, Brouwerijplein 1, B-3000 Leuven, Belgium. The total number of companies consolidated (fully, proportional and equity method) is 322.

List of most important fully consolidated companies

Name and registered office	% of shareholding (economic interest)
Belgium	
INBEV N.V. – Grote Markt 1 - 1000 - Brussel	Consolidating Company
BRASSERIE DE L'ABBAYE DE LEFFE S.A. - Place de l'Abbaye 1 - 5500 - Dinant	98.54
BROUWERIJ VAN HOEGAARDEN N.V. - Stoopkensstraat 46 - 3320 - Hoegaarden	100.00
COBREW N.V. - Brouwerijplein 1 - 3000 - Leuven	100.00
IMMOBREW N.V. - Industrielaan 21 - 1070 - Brussel	99.89
INBEV BELGIUM N.V. - Industrielaan 21 - 1070 - Brussel	99.89
Brazil	
CIA DE BEBIDAS DAS AMERICAS - AMBEV BRASIL - Rua Dr. Renato Paes de Barros, 1017, 4° Andar (parte), cj. 44 e 42 - Itaim Bibi, Sao Paulo	56.57
Bulgaria	
KAMENITZA AD - Kapitan Raitcho Street 95 - Plovdiv	85.12
Canada	
LABATT BREWING COMPANY LIMITED - 207 Queens's Quay West,Suite 299 - M5J 1A7 - Toronto	56.57
China	
HUBEI JINLONGQUAN (XIAOGAN) BREWERY CO LTD - No. 198 Chengzhan Street - Xiaogan	59.99
INBEV (ZHOUSHAN) BREWERY CO LTD - No.1 Zizhulin Road, Dinghai District - Zhou Shan	99.98
INBEV BAISHA (HUNAN) BREWERY CO LTD - No. 304 Shao Shan Zhong Lu - Changsha	99.98
INBEV JINLONGQUAN (HUBEI) BREWERY CO LTD - 89 Chang Ning Street - Jingmen	59.99
INBEV KK (NINGBO) BREWERY CO LTD - 2 Ling Qiao Road. No.5 Building of Nanyuan Hotel - 315000 - Ningbo	99.98
INBEV SHILIANG (ZHEJIANG) BREWERY CO LTD. - 159, Qi Xia Dong Road - Cheng Guan, Tiantai County	69.99
INBEV ZHEDONG (ZHEJIANG) BREWERY CO. LTD - Yizhou Town, Yinzhou District - Ningbo	99.98
LION BREWING GROUP CO LTD - 234 Wu Tian Street - Wenzhou	54.99
NANJING INTERBREW JINLING BREWERY CO. LTD - 408 Long Pan Zhong Lu, - Nanjing	80.00
NINGBO LION BREWERY COMPANY LIMITED - Yinzhou District - Ningbo	99.98
Croatia	
ZAGREBACKA PIVOVARA D.D. - Ilica 224 - 10000 - Zagreb	71.91
Czech Republic	
INBEV S.R.O. - Nadrazni 84 - CZ - 150 54 - Praha 4	99.57
PIVOVARY STAROPRAMEN A.S. - Nadrazni 84 - CZ - 150 54 - Praha 4	99.57
Dominican Republic	
EMBODOM - EMBOTELLADORA DOMENICANA CXA - Av. San Martin, 279 - Apartado Postal 723 - Santo Domingo	37.22
Ecuador	
COMPANIA CERVECERA AMBEV ECUADOR - Km 14.5 - Via Daule, Av. Las Iguanas - Guayaquil	45.26
France	
INBEV FRANCE S.A. - Avenue Pierre Brosselette 14 BP 9 - 59280 - Armentières Cédex	100.00
Germany	
BRAUEREI BECK GmbH & CO. KG - Am Deich 18/19 - 28199 - Bremen	97.82
BRAUEREI DIEBELS GmbH & CO.KG - Brauerei-Diebels-Strasse 1 - 47661 - Issum	97.82
BRAUERGILDE HANNOVER AG - Hildesheimer Strasse 132 - 30173 - Hannover	97.82
DINCKELACKER - SCHWABEN BRÄU GMBH & CO. KG - Tübinger Strasse 46 - 70178 - Stuttgart	97.82
HASSERÖDER BRAUEREI GmbH - Auerhahnring 1 - 38855 - Wernigerode	97.82
INBEV GERMANY HOLDING GmbH & CO. KG - Am Deich 18/19 - 28199 - Bremen	97.82
SPATEN - FRANZISKANER - BRÄU GmbH - Marsstrasse 46 + 48 - 80335 - München	97.82

Grand Duchy Of Luxemburg

BRASSERIE DE LUXEMBOURG MOUSEL - DIEKIRCH - 1, Rue de la Brasserie - L-9214 - Diekirch	95.54

Guatemala

INDUSTRIAS DEL ATLANTICO - 43 Calle 1-10 CLzd.Aguilar Batres Zona 12, Edificio Mariposa, nivel 4 - 01012 - Zacapa	28.29

Hungary

BORSODI SORGYAR Rt. - Rackoczi UT 81 - 3574 - Böcs	98.62

Peru

COMPANIA CERVECERA AMBEV PERU SAC - Av. Republica de Panama, 3659 San Isidro - Lima 41 - Lima	56.57

Romania

INTERBREW EFES BREWERY - 287, Gh. Gr. Cantacuzino str., - 100291 - Ploiesti	50.00
INTERBREW ROMANIA SA - Str. Siriului nr. 20, et. 4-5, 014354 - Sector 1 - Bucharest	97.54

Russia

OAO SUN INTERBREW - 28 Moscovskaya Street, Moscow region - 141600 - Klin	99.00

Serbia and Montenegro

APATINSKA PIVARA APATIN - Trg Oslobodjenja 5 - CS-25260 - Apatin	98.99
INDUSTRIJA PIVA I SOKOVA “TREBJESA” A.D. - Njegoseva 18 - 81400 - Niksic	72.69

South Korea

ORIENTAL BREWERY CO. LTD - Hanwon Bldg, #1449-12, Seocho Dong Seocho-Ku - 137-866 - Seoul	95.08

The Netherlands

INTERBREW INTERNATIONAL B.V. - Ceresstraat 1 - 4811 CA - Breda	100.00
INTERBREW NEDERLAND N.V. - Ceresstraat 1 - 4811 CA - Breda	100.00

U.S.A.

INBEV USA - 101 Merritt 7, P-O Box 5075 - CT 06856-5075 - Norwalk	99.99
LATROBE BREWING COMPANY L.L.C. - 1209 Orange Street - DE 19801 - Wilmington	99.99

Ukraine

CJSC CHERNIHIV BEER ENTERPRISE “DESNA” - 20 Instrumentalnaya Street - 14037 - Chernigiv	93.14
JSC “MYKOLAIV” BREWERY “YANTAR” - 320 Yantarna Street - 54050 - Mykolaiv	99.45
OJSC BREWERY ROGAN - 161 Roganskaya str. - 61172 - Kharkiv	92.13

United Kingdom

BASS BEERS WORLDWIDE LIMITED - Porter Tun House, 500 Capability Green - LU1 3LS - Luton	100.00
INBEV UK - Porter Tun House, 500 Capability Green - LU1 3LS - Luton	100.00
INTERBREW UK LTD - Porter Tun House, 500 Capability Green - LU1 3LS - Luton	100.00

Uruguay

CERVECERIA Y MALTERIA PAYSSANDU S.A. - Rambla Baltasar Brum, 2933 - 11800 - Payssandu	55.61

Venezuela

C. A. CERVECERIA NACIONAL - Av. Principal Boleita Norte, Edif. Draza, Piso 2 - Caracas	28.39

List of most important companies accounted for by the proportionate method

Name and registered office	% of shareholding (economic interest)

Argentina

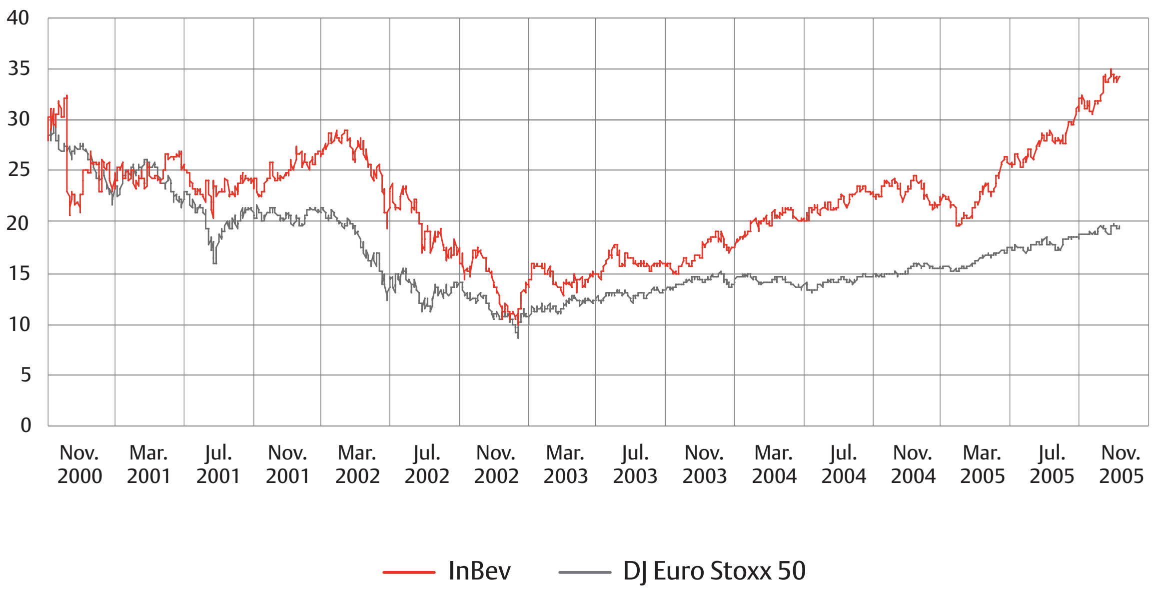
Cerveceria y Malteria Quilmes SAICA y G - Av. Del Libertador 498, 26th floor - Buenos Aires	32.10

Information to our shareholders

Earnings, dividends, share and share price

Euro per share unless stated otherwise	2005	2004	2003	2002	2001
Cash flow from operating activities	3.76	2.40	2.66	2.42	2.45
Normalized earnings per share before goodwill	1.71	1.69	1.45	1.51	1.44
Dividend	0.48	0.39	0.36	0.33	0.29
Share price high	37.5	29.1	23.2	34.5	37.5
Share price low	24.6	20.3	15.0	19.1	25.5
Year-end share price	36.8	28.5	21.2	22.5	30.8
Weighted average number of ordinary shares (million shares)	600	480	432	431	429
Diluted weighted average number of ordinary shares (million shares)	603	483	434	435	434
Volume of shares traded (million shares)	213	147	124	113	119

InBev share price evolution compared to Dow Jones Euro Stoxx 50



Shareholders

Shareholders' structure

The most recent notification of major shareholdings as per 30 June 2005, indicates that six organizations acting in concert hold 410 495 820 ordinary shares of the company as shown below.

		% of voting rights attached to equity instruments[1]
Stichting InBev, Stichting Administratiekantoor under Dutch law		
Number of shares	321 712 000	52.75 %
Number of subscription rights	-	-
	321 712 000	**51.80 %**
Fonds InBev-Baillet Latour SPRL with a social purpose under Belgian law		
Number of shares	3 370 800	0.55 %
Number of subscription rights	-	-
	3 370 800	**0.54 %**
Fonds President Verhelst SPRL with a social purpose under Belgian law		
Number of shares	4 494 000	0.74 %
Number of subscription rights	-	-
	4 494 000	**0.72 %**
Eugénie Patri Sébastien (EPS) SA under Luxemburg law, affiliated to Stichting InBev that it jointly controls with BRC SA under Luxemburg law		
Number of shares	61 400 030	10.07 %
Number of subscription rights	-	-
	61 400 030	**9.88 %**
Rayvax Société d'Investissements SA under Belgian law		
Number of shares	19 216 000	3.15 %
Number of subscription rights	-	-
	19 216 000	**3.09 %**
Sébastien Holding SA under Belgian law, affiliated to Rayvax Société d'Investissements, its parent company		
Number of shares	302 990	0.05 %
Number of subscription rights	-	-
	302 990	**0.05 %**
Total		
Number of shares	410 495 820	67.31 %
Number of subscription rights	-	-
Total	**410 495 820**	**66.10 %**

Shareholders' arrangements

In connection with the combination of Interbrew with AmBev, BRC, EPS (a company which groups a large share of the interests of the Belgian families who founded Interbrew), Rayvax Société d'Investissements (a company holding some of the interests in InBev of one of the Interbrew founding families), and the Stichting InBev entered on 2 March 2004 into a Shareholders' Agreement (the "Interbrew Shareholders' Agreement"). The Interbrew Shareholders' Agreement provides for BRC and EPS to hold their interests in InBev through the Stichting InBev (except for approximately 93m InBev shares, that will be held by individuals or through EPS or other entities outside the Stichting InBev), and addresses, among other things, certain matters relating to the governance and management of the Stichting InBev and InBev as well as the transfers of interests in InBev. BRC holds 141 712 000 class B Stichting InBev certificates (representing 141 712 000 InBev shares), and EPS holds at least 180 000 000 class A Stichting InBev certificates (representing 180 000 000 InBev shares).

1 Based on the number of shares and subscription rights outstanding on 31 December 2005 (609 913 289, resp. 11 073 187). The percentage in bold reflects the total voting rights percentage (based on shares and subscription rights).

Pursuant to the terms of the Interbrew Shareholders' Agreement, BRC and EPS will jointly and equally exercise control over the Stichting InBev and the InBev shares held by the Stichting InBev. Among other things, BRC and EPS have agreed that the Stichting InBev will be managed by an 8-member board of directors and that they each will have the right to appoint 4 directors to the Stichting InBev board. At least 7 of the 8 Stichting InBev directors must be present in order to constitute a quorum, and any action to be taken by the Stichting InBev board will, subject to certain qualified majority conditions, require the approval of a majority of the directors present, including at least 2 directors appointed by BRC and 2 appointed by EPS. Subject to certain exceptions, all decisions of the Stichting InBev with respect to the InBev Shares it will hold, including how the Stichting InBev's Shares will be voted at all general and extraordinary shareholder meetings of InBev, will be made by the Stichting InBev board.

The Interbrew Shareholders' Agreement will require the Stichting InBev's board to meet prior to each shareholder meeting of InBev to determine how the Stichting InBev's InBev Shares will be voted.

The Interbrew Shareholders' Agreement provides for restrictions on the ability of BRC and EPS to transfer their Stichting InBev certificates (and consequently their InBev shares held through the Stichting InBev). EPS has agreed that it will at all times hold, directly or indirectly, no less than 180 000 000 Stichting InBev certificates (relating to 180 000 000 InBev shares), and BRC has agreed that it will at all times hold, directly or indirectly, no less than 141 712 000 Stichting InBev certificates (relating to 141 712 000 InBev shares). In addition, the Interbrew Shareholders' Agreement requires EPS and its permitted transferees under the Interbrew Shareholders' Agreement whose InBev Shares are not held through the Stichting InBev to vote their InBev Shares in the same manner as the InBev Shares held by the Stichting InBev and to effect any transfers of their InBev Shares in an orderly manner of disposition that does not disrupt the market for the InBev Shares and in accordance with any conditions established by InBev to ensure such orderly disposition. In addition, under the Interbrew Shareholders' Agreement, EPS and BRC agree not to acquire any shares of capital stock of AmBev, subject to limited exceptions.

The Interbrew Shareholders' Agreement will remain in effect for an initial term of 20 years from the date of the closing. Thereafter, it will be automatically renewed for successive renewal terms of 10 years each unless, not later than two years prior to the expiration of the initial or any renewal term, either BRC or EPS notifies the other of its intention to terminate the agreement.

On the other hand, Stichting InBev has entered into voting agreements with Fonds InBev-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.

Information on the auditors' assignments and related fees

Our statutory auditor is KPMG, represented by Erik Helsen, engagement partner.

Base fees for auditing the annual financial statements of InBev and its subsidiaries are determined by the general meeting of shareholders after review and approval by the company's audit committee and board of directors. Worldwide audit and other fees for 2005 in relation to services provided by KPMG amounted to 5 644 500 euro (2004: 9 471 355 euro), which was composed of audit services for the annual financial statements of 4 048 821 euro (2004: 4 188 735 euro), audit related services of 649 058 euro (2004: 4 163 905 euro), tax services of 689 675 euro (2004: 371 333 euro) and other services of 256 946 euro (2004: 747 382 euro). Audit related services were mainly for financial due diligence work assisting InBev in acquiring or disposing of subsidiaries.

Financial calendar

Publication of 2005 results	24 February 2006
Annual report	30 March 2006
General shareholders meeting	25 April 2006
Dividend payable	26 April 2006
Publication of first quarter results	12 May 2006
Publication of half year results	7 September 2006
Publication of third quarter results	9 November 2006
Publication of 2006 results	1 March 2007

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Excerpt from the InBev NV separate (non-consolidated) financial statements prepared in accordance with Belgian GAAP

The following information is extracted from the separate Belgian GAAP financial statements of InBev NV. These separate financial statements, together with the management report of the board of directors to the general assembly of shareholders as well as the auditors' report, will be filed with the National Bank of Belgium within the legally foreseen time limits. These documents are also available on request from: InBev NV, Brouwerijplein 1, 3000 Leuven.

It should be noted that only the consolidated financial statements as set forth above present a true and fair view of the financial position and performance of the InBev group.

Since InBev NV is essentially a holding company, which recognizes its investments at cost in its non-consolidated financial statements, these separate financial statements present no more than a limited view of the financial position of InBev NV. For this reason, the board of directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at and for the year ended 31 December 2005.

The statutory auditor's report is "unqualified" and certifies that the non-consolidated financial statements of InBev NV prepared in accordance with Belgian GAAP for the year ended 31 December 2005 give a true and fair view of the financial position and results of InBev NV in accordance with all legal and regulatory dispositions.

Abbreviated non-consolidated balance sheet

Million euro	2005	2004
Assets		
Non-current assets		
Intangible assets	23	11
Property, plant and equipment	25	18
Financial assets	8 455	7 615
	8 503	**7 644**
Current assets	**1 883**	**1 164**
Total assets	**10 386**	**8 808**
Equity and liabilities		
Equity		
Issued capital	470	444
Share premium	7 334	6 471
Legal reserve	33	33
Reserves not available for distribution	60	1
Reserves available for distribution	205	265
Profit carried forward	844	669
	8 946	**7 883**
Provisions and deferred taxes	**3**	**4**
Non-current liabilities	**1 064**	**736**
Current liabilities	**373**	**185**
Total equity and liabilities	**10 386**	**8 808**

Abbreviated non-consolidated income statement

Million euro	2005	2004
Operating income	230	208
Operating expenses	(365)	(333)
Operating result	**(135)**	**(125)**
Financial result	470	5
Extraordinary result	64	18
Income taxes	-	-
Result for the year available for appropriation	**399**	**(102)**

Glossary

Aggregated weighted nominal tax rate
Calculated by applying the statutory tax rate of each country on the profit before tax of each entity and by dividing the resulting tax charge by the total profit before tax of the company.

Cash interest coverage
EBITDA minus gross capex, divided by net interest expenses.

Debt equity ratio
Net debt divided by equity attributable to equity holders of InBev.

Diluted EPS before goodwill
Profit attributable to equity holders of InBev, plus impairment of goodwill, divided by the fully diluted weighted average number of ordinary shares.

Diluted weighted average number of ordinary shares
Weighted average number of ordinary shares, adjusted by the effect of share options on issue.

EBIT
Profit from operations.

EBITDA
Profit from operations plus depreciation, amortization and impairment.

EPS
Profit attributable to equity holders of InBev, plus impairment of goodwill, divided by the weighted average number of ordinary shares.

Invested capital
Includes property, plant and equipment, goodwill and intangible assets, investments in associates and equity securities, working capital, provisions, employee benefits and deferred taxes.

Marketing expenses
Include all costs relating to the support and promotion of the brands. They include among others operating costs (payroll, office costs, etc.) of the marketing department, advertising costs (agency costs, media costs, etc.), sponsoring and events, and surveys and market research.

Net capex
Acquisitions of property, plant and equipment and of intangible assets, minus proceeds from sale.

Net debt
Non-current and current interest-bearing loans and borrowings and bank overdrafts, minus debt securities and cash.

Non-recurring items
Items of income or expense which do not occur regularly as part of the normal activities of the company, and which amount to minimum 5m euro before tax.

Normalized
The term “normalized” refers to performance measures (EBITDA, EBIT, Profit, ROIC, EPS) before non-recurring items. Non-recurring items are items of income or expense which do not occur regularly as part of the normal activities of the company and which warrant separate disclosure because they are important for the understanding of the underlying results of the company due to their size or nature. InBev believes that the communication and explanation of normalized measures is essential for readers of its financial statements to understand fully the sustainable performance of the company. Normalized measures are additional measures used by management and should not replace the measures determined in accordance with IFRS as an indicator of the company’s performance.

Normalized diluted EPS before goodwill
Diluted EPS before goodwill, adjusted for non-recurring items.

Normalized EBIT
Profit from operations adjusted for non-recurring items.

Normalized EBITDA
Profit from operations adjusted for non-recurring items, plus depreciation, amortization and impairment.

Normalized EPS before goodwill
EPS before goodwill, adjusted for non-recurring items.

Normalized profit
Profit adjusted for non-recurring items.

Normalized profit from operations
Profit from operations adjusted for non-recurring items.

Normalized return on invested capital (normalized ROIC)
Return on invested capital (ROIC), adjusted for non-recurring items.

Pay out ratio
Gross dividend per share multiplied by the number of outstanding ordinary shares at year-end, divided by profit attributable to equity holders of InBev.

Return on invested capital (ROIC)
Profit from operations after tax, plus share of result of associates and dividend income from investments in equity securities, divided by the invested capital; prorated for acquisitions of subsidiaries done during the year.

Revenue
Gross revenue less excise taxes and discounts.

Sales expenses
Include all costs relating to the selling of the products. They include among others the operating costs (payroll, office costs, etc.) of the sales department and the sales force.

Weighted average number of ordinary shares
Number of shares outstanding at the beginning of the period, adjusted by the number of shares cancelled, repurchased or issued during the period multiplied by a time-weighting factor.

Working capital
Includes inventories, trade and other receivables and trade and other payables, both current and non-current.

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