

Delivering Commitments

Resolved to be the Best

Financial Highlights
Letter to Shareholders
Dream, People, Culture



The cursor arrow that you can find on selected pages of the 2006 annual report is a sign that there is more in-depth information on the subject on our website.

To see that extra information, please go to:
www.InBev.com/annualreport2006



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Executive Focus



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InBev Worldwide

Delivering

Commitments

Resolved to be the Best

2006 – On balance, we have achieved what we set out to achieve, delivering organic volume and revenue growth throughout the year whilst continuing to develop strong cost management. We faced pressures in some markets, but with the strength of our brands, we have delivered on our commitment to value creation through margin expansion, fulfilling our 30% EBITDA margin target one year ahead of schedule.

Our results this year are an important first step on our journey from 'Biggest to Best', building consistency and momentum towards sustainable long-term growth. There is still more to do, and we're confident that we have the right strategy and people to deliver on our commitments. Our mission to create enduring bonds with consumers continues to drive us, and we have resolved to be the best beer company in the industry measured by profitability.



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Connecting
with Consumers



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Doing Business
the InBev Way



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Corporate Citizenship



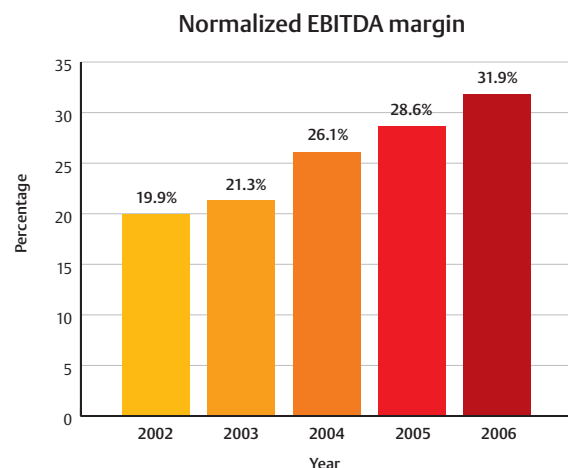
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Financial Report
Corporate Governance

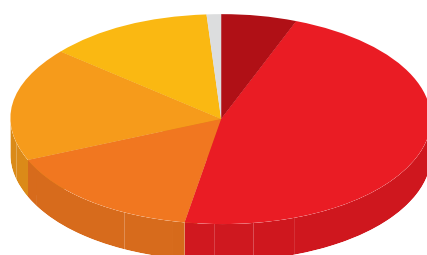


Delivering on our commitment to a
30% EBITDA margin target



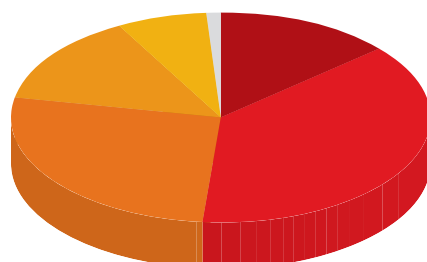
With **2/3** of our business in developing markets,
 we are well positioned for **growth**

2006 Volumes



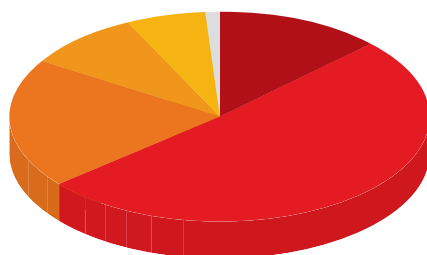
North America	6%
Latin America	47%
Western Europe	16%
Central & Eastern Europe	17%
Asia Pacific	13%
Global Export & Holding Companies	1%

2006 Revenue



North America	14%
Latin America	37%
Western Europe	27%
Central & Eastern Europe	14%
Asia Pacific	7%
Global Export & Holding Companies	1%

2006 Normalized EBITDA



North America	13%
Latin America	51%
Western Europe	20%
Central & Eastern Europe	9%
Asia Pacific	6%
Global Export & Holding Companies	1%

Key Figures¹

Million euro, unless stated otherwise

2002 2003 2004² 2005 2006

Volumes (million hls)	97	108	162	224	247
Revenue	6 992	7 004	8 568	11 656	13 308
Normalized EBITDA	1 394	1 498	2 116	3 339	4 239
EBITDA	1 394	1 498	2 329	3 132	4 223
Normalized profit from operations	836	839	1 255	2 439	3 223
Normalized profit attributable to equity holders of InBev	467	505	621	1 024	1 522
Profit attributable to equity holders of InBev	467	505	719	904	1 411

Net financial debt	2 583	2 434	3 271	4 867	5 563
Debt equity ratio	0.55	0.52	0.39	0.42	0.45

Cash flow from operating activities	1 045	1 151	1 384	2 405	3 287
Cash interest coverage	6.8	7.6	7.5	4.9	6.6

Normalized return on invested capital (%)	11.2	10.6	13.3	11.3	14.2
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Normalized earnings per share before goodwill (euro)	1.51	1.45	1.69	1.71	2.50
Dividend per share (euro)	0.33	0.36	0.39	0.48	0.72
Pay out ratio (%)	26.2	30.8	31.2	32.3	31.3
Weighted average number of ordinary shares (million shares)	431	432	480	600	608
Share price high (euro)	34.5	23.2	29.1	37.5	49.9
Share price low (euro)	19.1	15.0	20.3	24.6	35.0
Year-end share price (euro)	22.5	21.2	28.5	36.8	49.9
Market capitalization	9 712	9 141	16 442	22 355	30 611

¹ Refer to Glossary.

² 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).

**A ground-breaking
experiment:
the reproduction of barley
and lemon in captivity.**



**The round mix of
Skol and lemon.**



Headlines and Highlights 2006

In addition to our financial results these are the event highlights that have shaped the year.

February

Shared Service Centers to improve focus and efficiency

In February 2006, InBev announced its intention to create Shared Service Centers to improve the efficiency of back-office finance and export functions, whilst freeing up extra time and resources to focus on driving the core business strategy. Support services for the North America Zone were divided between Brazil and Canada. In Europe, two new Shared Service Centers were created in Hungary and the Czech Republic supporting operations in the region. In the second half of 2006, as part of the same strategy, European and Global Headquarters' business systems and application services were outsourced to LogicaCMG.

April

Quinsa deal leads to new InBev Zone in Latin America South

In April 2006, AmBev entered into an agreement to increase its economic interest in Quilmes Industrial S.A. (Quinsa) to approximately 91%, strengthening InBev's foothold in Argentina, Bolivia, Chile, Paraguay and Uruguay. The transaction was closed in August 2006, and in October Quinsa announced plans for the divestiture of the Palermo, Bieckert, and Imperial Brands in connection with the Argentine regulatory process related to AmBev's original combination with Quinsa in 2003. In November AmBev announced a further plan to make a tender offer to purchase all remaining shares in Quinsa.

As a measure of the significance of the deal, InBev has now created a separate Zone, Latin America South, headed up by João Castro Neves, who joined InBev's Executive Board of Management in January 2007.

May

Changes in the U.S. strengthen strategic focus and extend reach to consumers

In May 2006, InBev USA sold the Rolling Rock family of brands to Anheuser-Busch.

In November, an agreement paved the way for Anheuser-Busch to become the exclusive U.S. importer of a number of InBev's premium European import brands including Stella Artois, Beck's, Bass Pale Ale, Hoegaarden, Leffe and other selected InBev brands. Labatt USA will continue to market and sell the Labatt and Brahma brands through a separate distribution network. Access to Anheuser-Busch's sales and distribution system will enhance opportunities for U.S. consumers to experience the unique values of our premium European import brands, and further accelerate their growth.

June

Fujian Sedrin consolidates InBev's position in central and eastern China

In June 2006, InBev completed its acquisition of Fujian Sedrin Brewery Co. Ltd. leading to the establishment of InBev

Sedrin, a wholly foreign owned enterprise. Since the closure of the deal Sedrin's results have exceeded expectations, and the strong cultural fit has led to the development of synergies.

November

New Global Innovation and Technology Center opens its doors in Leuven, Belgium

In November 2006, InBev opened the doors of its new Global Innovation and Technology Center (GITeC) creating a single innovation community, bringing together technical and commercial innovation under one roof. The new state of the art building accommodates the Packaging, Product, and Process Development teams along with their Commercial and Consumer Insight partners and the European Central Lab, which also includes Sensory Analysis (checking the quality of over 2000 beer samples per year).



Guide to our Business

	Volumes All Products YR 2006 (Mio Hl) ⁽¹⁾	Market Position YR 2006	Market Share YR 2006 ⁽¹⁾	Number of Beverage Plants as per 31 Dec 2006	Trading Names
Global	259.2	Nº. 1		120	
North America	14.0				
Canada	9.2	Nº. 2	40.5%	6	Labatt Brewing Company
Cuba	0.9	Nº. 2	36.0%	1	Bucanero SA
USA ⁽³⁾	3.9	Nº. 3 ⁽²⁾	11.8% ⁽²⁾	0	InBev USA
Latin America	123.3				
Brazil - Beer	65.6	Nº. 1	68.8%	23 ⁽¹⁰⁾	Cia de Bebidas das Americas-AmBev
Brazil - Soft Drinks	22.1	Nº. 2	17.3%	4	Cia de Bebidas das Americas-AmBev
Dominican Republic - Beer	0.1	Nº. 2	4.2%	1	Embodom C. por A.
Dominican Republic - Soft Drinks	1.5	Nº. 1	53.5%	1	Embodom C. por A.
Guatemala	0.2	Nº. 2	16.2%	1	Ind.del Atlántico S.A.
Ecuador	0.2	Nº. 2	6.7%	1	Cervesur SA
Peru - Beer	0.7	Nº. 2	11.2%	1	Cia Cerv. AmBev Peru SA
Peru - Soft Drinks	2.1	Nº. 2	15.0%	1	Cia Cerv. AmBev Peru SA
Venezuela - Beer	1.9	Nº. 3	14.8%	1	CACN
Venezuela - Soft Drinks	0.2	-	1.0%	0	CACN
Bolivia ⁽⁹⁾	2.7	Nº. 1	97.5%	4	Cia Boliviana National SA
Paraguay ⁽⁹⁾	2.2	Nº. 1	96.6%	1	Cia Paraguay SA
Uruguay - Beer ⁽⁹⁾	0.8	Nº. 1	96.4%	2	FNC SA
Uruguay - Soft Drinks ⁽⁹⁾	0.5	-	16.2%	0	FNC SA
Argentina - Beer ⁽⁹⁾	11.6	Nº. 1	77.9%	6	Cia y Malteria Quilmes SAICA y G
Argentina - Soft Drink ⁽⁹⁾	10.2	Nº. 2	21.1%	5	Cia y Malteria Quilmes SAICA y G
Chile ⁽⁹⁾	0.7	Nº. 2	12.7%	1	Cia Chile SA
Western Europe	39.1				
Belgium	6.3	Nº. 1	56.9%	4	InBev Belgium
France	2.3	Nº. 3	9.1%	0	InBev France
Luxemburg	0.2	Nº. 1	46.9%	1	Brasseries de Luxembourg Mousel-Diekirch S.A.
The Netherlands	2.6	Nº. 2	14.2%	2	InBev Nederland
UK	11.9	Nº. 2	18.0%	3	InBev UK
Germany - Beer	10.2	Nº. 2	10.1%	6	InBev Germany
Germany - Soft Drinks	0.6	-	-	0	InBev Germany
Italy	1.4	Nº. 4	7.6%	0	InBev Italia
Export/Licenses as handled by Zone W-Europe	3.6	-	-	-	
Central & Eastern Europe	43.2				
Bulgaria	1.5	Nº. 2	28.7%	2	Kamenitza
Croatia	1.5	Nº. 1	41.1%	1	Zagrebacka Pivovara
Czech Republic	2.4	Nº. 2	14.8%	3	Pivovary Staropramen
Hungary	2.3	Nº. 1	29.9%	1	Borsodi Sorgyar
Serbia	2.8	Nº. 1	46.1%	1	Apatin
Montenegro	0.4	Nº. 1	91.6 %	1	Trebjesa
Romania	3.4	Nº. 3	19.0%	3	Interbrew Romania Interbrew Efes Brewery
Russia	18.2	Nº. 2	19.1%	9	SUN InBev
Ukraine	9.2	Nº. 1	38.0%	3	SUN Interbrew
Export/Licenses as handled by Zone Central & Eastern Europe	1.6	-	-	-	
Asia Pacific	37.8				
China ⁽⁸⁾	30.2	Nº. 3 ⁽⁵⁾	11.8% ⁽⁵⁾	17 ⁽¹¹⁾	InBev China
South Korea	6.5	Nº. 2	39.5%	3	Oriental Brewery
Export/Licenses as handled by Zone Asia Pacific	1.1	-	-	-	
Global Exports/Licenses ⁽⁶⁾	1.8	-	-	-	-

(1) Full 12 Month volumes and shares according to scope on Dec 31, 2006.

(2) Within segment 'Imports'.

(3) Excludes Rolling Rock for the full year 2006.

(4) Registered brands owned by our partners.

(5) Zhujiang counted for 100%.

(6) Sales under responsibility of the central international department.

(7) 'Brewed under license' or 'bottled under exclusive bottling agreement'.

(8) Includes full year sales of Fujian Sedrin.

Global Brands				Main Local Brands
Beck's	Brahma	Stella Artois	Leffe	Alexander Keith's, Boomerang, Budweiser ⁽⁷⁾ , Kokanee, Labatt Blue, Labatt Blue Light, Labatt Sterling, Labatt Ice, Labatt Wildcat
Beck's				Bucanero ⁽⁴⁾ , Bucanero Malta ⁽⁴⁾ , Cristal ⁽⁴⁾ , Mayabe ⁽⁴⁾
Beck's	Brahma	Stella Artois	Leffe	Bass, Belle-Vue, Boddingtons, Labatt Blue, Labatt Blue Light, Haake-Beck, Hoegaarden, Löwenbräu, St Pauli Girl
	Brahma	Stella Artois		Antarctica, Bohemia, Caracu, Kronenbier, Polar, Serramalte, Skol
	Brahma			Guaraná Antarctica, Pepsi ⁽⁷⁾
	Brahma			Pepsi ⁽⁷⁾ , 7UP ⁽⁷⁾ , Red Rock
	Brahma ⁽¹²⁾			
	Brahma			
	Brahma			Concordia ⁽⁷⁾ , Pepsi ⁽⁷⁾ , Triple Kola ⁽⁷⁾
	Brahma			Brahma Light, Brahma Ice
		Stella Artois		Malta Caracas
		Stella Artois		Ducal, Paceaña, Taquina
	Brahma	Stella Artois		Baviera, Ouro Fino, Pilsen
		Stella Artois		Norteña, Patricia, Pilsen
	Brahma	Stella Artois		Andes, Iguana, Norte, Quilmes, Quilmes Cristal
				7UP ⁽⁷⁾ , Pepsi ⁽⁷⁾
	Brahma			Baltica, Becker
Beck's	Brahma	Stella Artois	Leffe	Belle-Vue, Hoegaarden, Jupiler
Beck's	Brahma	Stella Artois	Leffe	Boomerang, Hoegaarden, La Bécasse, Loburg
Beck's	Brahma	Stella Artois	Leffe	Belle-Vue, Diekirch, Jupiler, Mousel
Beck's	Brahma	Stella Artois	Leffe	Dommelsch, Jupiler, Hertog Jan, Hoegaarden, Oranjeboom
Beck's	Brahma	Stella Artois	Leffe	Bass, Boddingtons, Castlemaine XXXX ⁽⁷⁾ , Hoegaarden, Labatt, Murphy's ⁽⁷⁾ , Oranjeboom, Staropramen, Tennent's
Beck's		Stella Artois	Leffe	Diebels Alt, Diebels Light, Dimix, Franziskaner, Gilde, Haake-Beck, Hasseröder, Löwenbräu, Spaten, Staropramen
Beck's	Brahma	Stella Artois	Leffe	Tennent's Super
Beck's		Stella Artois	Leffe	
Beck's		Stella Artois	Leffe	Astika, Burgasko, Kamenitza, Pleven, Slavena
Beck's		Stella Artois	Leffe	Ozujsko
Beck's		Stella Artois	Leffe	Branik, Kelt, Mestan, Ostravar, Staropramen, Vratislav, Velvet
Beck's		Stella Artois	Leffe	Borostyan, Borsodi Barna, Borodi Bivaly, Borsodi Polo, Borsodi Sör
Beck's		Stella Artois		Jelen Pivo, Apatinsko Pivo
Beck's		Stella Artois		Nik Cool, Nik Gold, Niksicko Pivo, Niksicko Tamno
Beck's		Stella Artois	Leffe	Bergenbier, Noroc
Beck's	Brahma	Stella Artois	Leffe	Bagbier, Klinskoe, Pikur, Premier, Rifey, Sibirskaia Korona, Staropramen, T, Tinkoff, Tolstiak, Volzhanin
Beck's	Brahma	Stella Artois	Leffe	Chernigivske, Rogan, Staropramen, Taller, Yantar
Beck's	Brahma			Bai Sha, Double Deer, Jinling, Yali, Jinlongquan, KK, Lu Lancha, Santai, Sedrin, Shiliang
Beck's	Brahma	Stella Artois	Leffe	Zhujiang ⁽⁴⁾ , Supra Beer ⁽⁴⁾ , Zhujiang Fresh ⁽⁴⁾
Beck's	Brahma	Stella Artois	Leffe	Budweiser ⁽⁷⁾ , Cass, Cafri, OB
Beck's	Brahma	Stella Artois	Leffe	
Beck's	Brahma	Stella Artois	Leffe	

(9) Quinsa volumes counted for 100%. In the Financial Report, Quinsa is proportionally consolidated Jan-July 2006 and fully consolidated as from Aug. 2006.

(10) Brazil : 10 beer plants and 13 mixed plants.

(11) Includes breweries and bottling plants; excludes Zhujiang-plants.

(12) Brahma.



The Executive Board of Management:

5 nationalities

working together delivering
the right mix of world class capabilities
and experience across the breadth
of the business.



Letter to Shareholders
Meet the Executive Board of Management

Letter to Shareholders

2006 has been a year of delivering on our commitments. We realized good financial results, delivering a normalized EBITDA margin of 31.9%, while our commitment was to deliver a 30% margin by the end of 2007. Even discounting the positive effect of foreign exchange rates, our normalized EBITDA margin would have been 30.5% in 06¹.

These results are based on what we call our Dream/People/Culture platform.

Our dream is to be the best beer company in the industry measured by profitability. This is our firm commitment and something that energizes our people. To be the biggest company by volume is certainly an accomplishment, but our resolve is to be the best at what we do. On a daily basis we are working to move from 'Biggest to Best', building a great company that will generate growth and sustainable results going forward.

Our people represent our most important competitive advantage. Great people are behind everything we do, and we believe great people build great companies. As senior managers we invest a large amount of time talking to and meeting people in the field, and identifying opportunities for people to progress through career development plans.

Our culture is one of ownership, disciplined execution and focus on results. We believe our people will make better decisions if they think and act like owners. Our target setting and cascading system together with our compensation model reinforces this ownership mindset. Disciplined execution is in everything we do from sales processes to brewing procedures. Benchmarking is encouraged in all areas. Our focus is on sustainable results.

*“Great people are behind everything we do,
and we believe great people build great companies.”*

In terms of financial performance, this year was a particularly good one for us. Our normalized EBITDA grew 16.8% organically and our normalized EBITDA margin grew organically by 239 basis points, increasing from 28.6% to 31.9%.

Our volumes grew 5.9% organically. Beer volumes reached 211.6 million hectoliters and our soft drink volumes reached 34.9 million hectoliters. Four out of five Zones grew EBITDA organically, year on year, as well as grew volume organically.

Our global brands had a good year: Stella Artois grew by 1.5%, Beck's by 14%, Brahma by 3.5%, and Leffe by 9.9%.

¹ Calculated on the basis of prevailing foreign exchange rates at the time the challenge was launched in 2004.

In 2007 our focus and targets will be built around the following five objectives:

Execution in the marketplace

We want InBev to be an efficient sales-driven company with best in class distribution. Given our global scale and presence in developed and developing markets, we have a strong set of best practices to share and learn from. Our aim is to out-execute our competition.

Sufficient resources for brand-building

We are in the business of building brands for which consumers pay a premium. We want to increase brand equity by making sure we invest more behind our brands every year, in the smartest way possible.

Innovation generated from consumer insights

Good innovation should come from superior consumer understanding. We have to understand consumer needs better than our competitors and deliver products and services tailored to meet those needs.

Financial discipline in everything we do

From targeted acquisitions to trade spend; from brand investment to fixed cost management; from cooler placement to industrial investment, we are committed to tracking value creation on each euro spent.

Resource allocation

A continuous shift from non-working money to working money is a priority. We have to be clever about the money we spend and ask ourselves whether each and every additional euro will generate value that consumers are willing to pay for.

As we look to the future of our global business, we are very excited about its prospects for sustainable growth and value creation for shareholders.



Peter Harf
Peter Harf
Chairman of the Board

Carlos Brito
Carlos Brito
Chief Executive Officer

Meet the Executive Board of Management

1 Carlos Brito

CHIEF EXECUTIVE OFFICER

“On average, we have delivered on our commitments, taking a first step on our journey from ‘Biggest to Best’ by meeting our EBITDA margin target one year ahead of time.”

2 André Weckx

CHIEF TECHNICAL OFFICER

“Voyager Plant Optimization has helped us fulfill our promises, and now the focus is on sustaining the great improvements we’ve made.”

3 Felipe Dutra

CHIEF FINANCIAL OFFICER

“The successful roll-out of Zero-Based Budgeting shows that cost management is much more than a project: it’s a way of life that’s here to stay.”

4 Sabine Chalmers

CHIEF LEGAL AND COMMUNICATIONS OFFICER

“The Legal and Corporate Affairs teams have made a leading contribution to the company’s integrity and long-term sustainability, providing ‘can do’ solutions based on clear business understanding.”

5 Stéfan Descheemaeker

ZONE PRESIDENT WESTERN EUROPE

“Our people are proud to have achieved substantial EBITDA expansion and a strong focus on costs.”

6 Dirk Moens

ZONE PRESIDENT ASIA PACIFIC

“The successful integration of the Sedrin operation in China and the implementation of best practices in sales and in cost management, strengthened our competitiveness in the region.”



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7 Alain Beyens

ZONE PRESIDENT CENTRAL & EASTERN EUROPE

“Through a combination of disciplined sales execution and market innovation, we covered earlier gaps, and boosted our top-line performance.”

8 Luiz Fernando Edmond

ZONE PRESIDENT LATIN AMERICA

“Our EBITDA margin continues to expand based on volume growth, efficiency increases, and strong revenue management.”

9 Miguel Patricio

ZONE PRESIDENT NORTH AMERICA

“Our performance in North America proves that even in developed markets, by focusing on the right brands we can improve competitiveness.”

10 Jo Van Biesbroeck

CHIEF SALES OFFICER

“We have delivered on our commitment to achieve sales volume growth ahead of the industry.”

11 Claudio Garcia

CHIEF PEOPLE AND TECHNOLOGY OFFICER

“Our people made the difference in 2006, building competitive advantage by thinking and acting like owners.”

12 Steve Cahillane

CHIEF MARKETING OFFICER

“We’ve made substantial progress in driving brand performance through better resource allocation, making the tough choices, and sharpening our brand positioning.”





Operations in over 30 countries,
and sales in over

130 countries



Our Global Vision

North America

Latin America

Western Europe

Central & Eastern Europe

Asia Pacific

Choosing to brew with only
four all-natural ingredients.

Compromise isn't one of them.



LIFE IS WHAT YOU CHOOSE.



Our Global Vision

Dream – from ‘Biggest to Best’

InBev is the biggest beer company in the industry, and it has resolved to become the best measured by profitability.

An EBITDA margin of 30% was a first step, but our resolve to be the best means:

- Organic volume growth faster than the industry average.
- Revenue growth ahead of volumes.
- Ensuring cost increases stay below inflation.

All of which leading to substantial margin expansion.

Becoming the best is our commitment and an on-going challenge. We constantly aim to raise the bar in order to build a company that will generate growth and sustainable results for the long-term. Of course, others in the marketplace are not sleeping. Being the best today, may not be sufficient to stay ahead tomorrow, which is why we are focused on continuous improvement each and every day.

People make the difference

Being the best means having the best people. People are behind everything we do, and they provide us with our competitive advantage. InBev wants to attract the best people, and believes the best people attract more of the same.

Our culture, our passion

Our culture is about ‘ownership’ – a spirit of individual and team responsibility, where results are earned through hard work and disciplined execution with no short cuts. InBev’s culture defines us as a company, unites us wherever we do business, and is the one thing our competitors can never copy. Above all, we are a sales driven company, and everything we do is geared towards creating enduring bonds with consumers.

Our strategy

The route-map from ‘Biggest to Best’ is InBev’s four pillar ‘SuperVoyager’ strategy, focusing on a winning brand portfolio; winning with consumers at the point of connection; world class efficiency; and targeted external growth; enabled by innovation, people/culture, and financial discipline.

Our strategy is made operational day by day through the simple cost-connect-win model: our aim is to capture non-working money from within our overall cost envelope, and convert it into working money, directly supporting our brands and sales and marketing capabilities.



This year we celebrated the 250th Anniversary of the Apatinska brewery, with results we can be proud of.

In 2006 we achieved record beer production through operational efficiencies. We’ve implemented the Plant Optimization scheme, improved our quality performance and safety record; and we are using our resources better, using less energy to produce our beers, and reducing losses in the plant. Members of the team are really acting like owners, working together to enable consumers to enjoy their favorite beers brewed to the best quality.

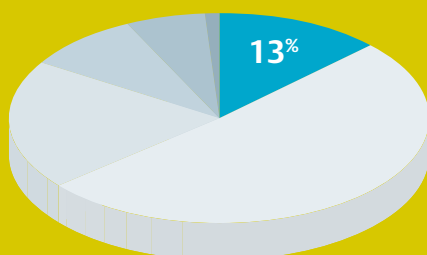
Valentina Ličina
Brewing Manager,
Apatinska Pivara Apatin, Serbia



This year we've improved our sales structures and become more efficient in the ways in which we meet the needs of our customers.

We also now have a much better local market understanding, and act quickly when we spot problems. We focus on communicating through concrete actions such as promotions, special offers, or by introducing new products. Our approach to sales distinguishes us from our competitors and has improved our relations with customers and consumers – I really believe in what we are doing, and in the team which I am part of.

Sylvain Veilleux
Quebec East On-Premise team



Normalized EBITDA in North America

Cost management and world class efficiency

2006 saw the transfer of some of the Zone's back-office functions to Shared Service Centers in Brazil and Canada. By the end of 2006, all six breweries in the Zone achieved Voyager Plant Optimization certification, a key driver of world class efficiency. The second year of Zero-Based Budgeting in North America led to savings of 5 %. This year also saw the Zone extract substantial procurement benefits, resulting from InBev's scale as a global purchaser.

North America

InBev made good margin progress with higher volume and revenue, combined with cost discipline across its operations.

Focus on premium brands in the U.S.

Stella Artois has been an engine driving growth in 2006, growing by 60% versus 2005 in the highly profitable premium import segment. Its leading position has paved the way for good performances from other premium import brands such as Beck's and Hoegaarden.

Structural changes to U.S. business sharpen focus and extend reach to consumers

InBev USA sold the Rolling Rock family of brands to Anheuser-Busch in 2006. Building on the strong equity of InBev's premium European import brands, and to further accelerate their growth, we also made an agreement for Anheuser-Busch to become the exclusive distributor of a number of InBev's premium import brands in the U.S. from 2007. Labatt USA will continue to market and distribute Brahma together with our Canadian brands in the U.S.

Strong portfolio-based approach in Canada

In Canada, global and domestic specialty brands delivered strong performances for the most part, with Brahma delivering ahead of expectations; Stella Artois up 17% compared to 2005; and local brands, Alexander Keith's and Kokanee increasing volumes, together with Budweiser and Bud Light. In Canada's highly regionalized market, Alberta has been a particularly strong region, achieving double-digit growth. Challenging market conditions remain in Ontario, where we continue to work to address the challenge of discount brands.



Connecting with consumers

A disciplined approach to sales execution in the Zone strengthened the way in which we connected with consumers, working on top-line improvements.

Zone North America priorities for 2007

- In the U.S., continue to strengthen the position of European import brands building on our leading position in the premium draught import sector.
- In Canada, continue to grow our core business of domestic specialties, as well as import brands, whilst focusing on long-term competitiveness.



Latin America

In 2006 Latin America delivered strong organic EBITDA margin expansion based on volume growth, efficiency increases, and effective revenue management.



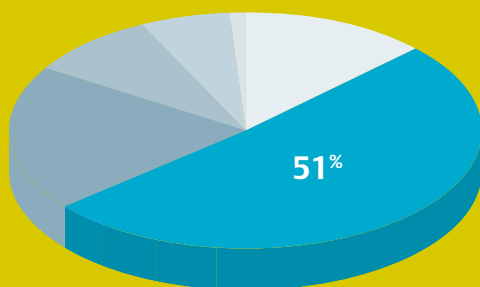
In Brazil our three key beer brands, Skol, Brahma, and Antarctica had a strong year, with overall beer volumes in Brazil up 5.1%. In the South of Latin America (Argentina, Chile, Bolivia, Paraguay, and Uruguay which are managed by Quinsa), beer and soft drink performance led to a normalized EBITDA margin of 43%. In other Central and Latin American countries (Ecuador, Peru, Venezuela, Dominican Republic, Guatemala, Nicaragua and El Salvador) we had weak results, but will continue to work hard to assure sustainable growth going forward.

Disciplined execution

Volume and market share growth was driven by disciplined planning and effective distribution, together with strong sales execution at the point of connection. The Zone has continued to keep a tight grip on costs, with variable costs per hectoliter flat for the fourth year running.

Strengthened position in the Southern Cone of Latin America

In 2006, AmBev increased its economic interest in Quinsa to approximately 91% strengthening our position in the growth markets of Argentina, Bolivia, Chile, Paraguay and Uruguay. It also announced plans for the divestiture of the Palermo, Bieckert, and Imperial Brands in connection with the Argentine regulatory process related to the original combination between AmBev and Quinsa in 2003; and announced a plan to make a tender offer to purchase all remaining shares in Quinsa.

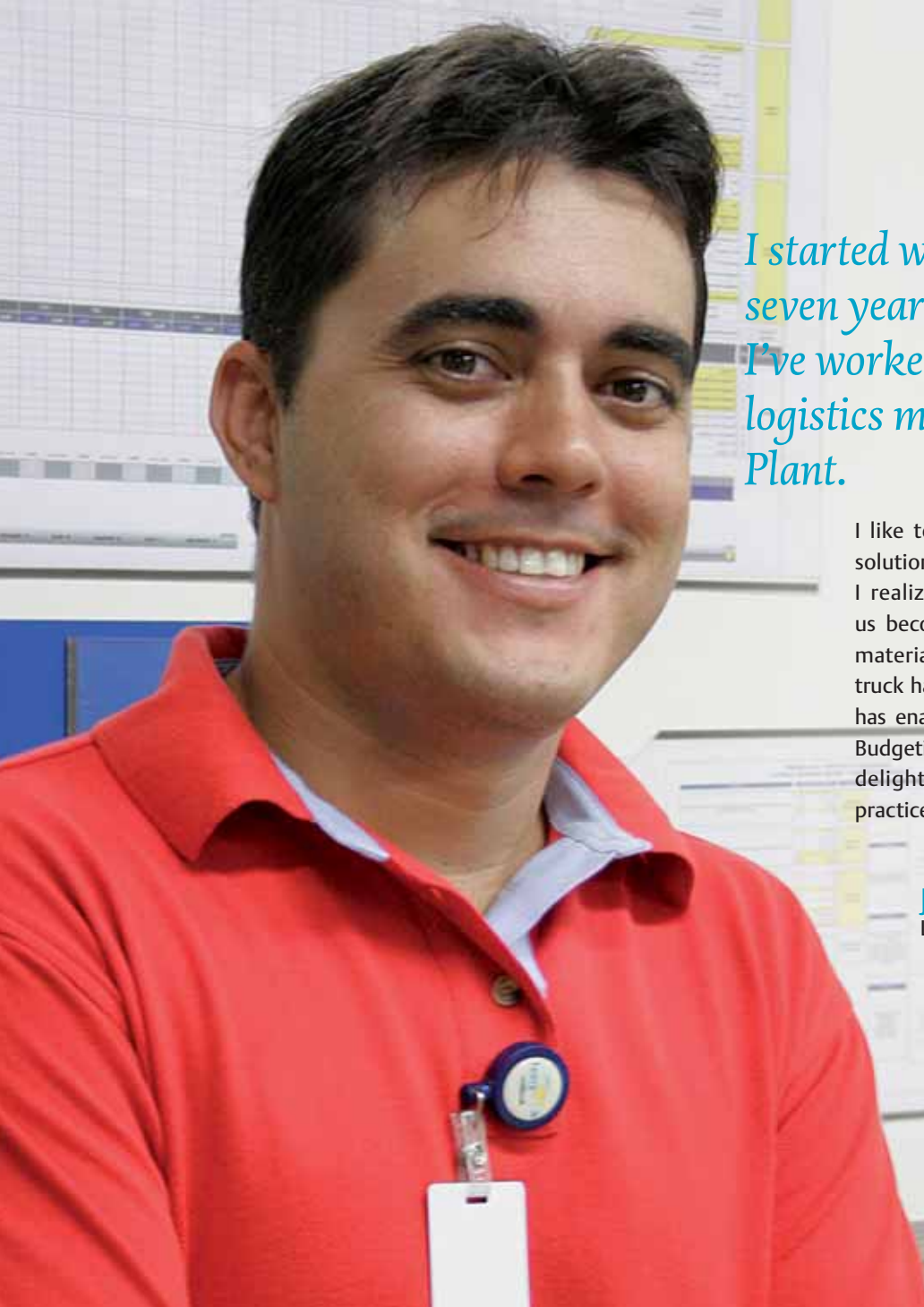


Normalized EBITDA in Latin America

Premium brand growth and distribution

InBev's premium brands, led by the flagship brands Bohemia and Original, have been growing faster than the overall portfolio. Stella Artois, introduced to the Zone in 2005 also had a good year, notably in Argentina.





I started with AmBev as a trainee seven years ago, and in this time I've worked my way up to become logistics manager of the Sergipe's Plant.

I like to keep focused on results, and look for solutions to create greater efficiencies. In 2006 I realized that three-wagon trucks could help us become much more efficient in transporting materials and help us reduce costs. The new truck has the best trip productivity in AmBev and has enabled us to deliver substantial Zero-Based Budgeting logistics savings. In recognition, I was delighted to receive AmBev's best corporate practices award in the supply category this year.

Júlio César Damaceno Barbedo
Logistics Manager, Brazil

Innovation working in the Zone

The successful introduction of Skol Lemon addressed a new consumption segment. Other innovations this year include Brahma Bier, specially created for the soccer World Cup, and Brahma Black which is only served as a draught beer. Innovation has also stimulated growth in the soft drink sector, with flavored water H2OH! opening up a new segment, and Guaraná Seleção (also specially created for the World Cup) introduced in 2006. Overall soft drink growth has been positive in 2006, up 11.3% across the Zone compared with 2005.

Zone Latin America priorities for 2007

- Going forward Latin America will comprise of two Zones within InBev's structure: Latin America North, covering Brazil, Venezuela, Central America, Peru, Ecuador and the Dominican Republic; and Latin America South grouping Argentina, Paraguay, Uruguay, Bolivia, and Chile.
- Across the Zone a priority is to continue to apply the cost-connect-win model and focus on brand management.
- In Latin America North, a further priority will be to continue to focus on growing market share outside Brazil.



Playing a part in the creation of Beck's Green Lemon has been hugely exciting, as well as a great challenge.

My role involved working on the concept, delivering relevant consumer insights, and evaluating consumer acceptance as the product developed. Timing is crucial, and part of our competitive advantage, which is why we act quickly and decisively on the basis of the best available research. Consumers have great confidence in Beck's high quality reputation, so we wanted to create a premium quality, great tasting beer, but above all, one that lives up to consumers needs and expectations.

Daniela Scholz
Market Research Manager
Beck's Line Extensions, Germany



At special events, we don't wait for people to come to us, we literally go out on the road to directly connect with consumers.

This summer we toured the Belgian Coast where over 30 000 cans of Belle-Vue Extra Kriek were sampled; we also treated more than 6 000 football fanatics to free games in the Belgian Jupiler League. We don't just give away products, our aim is to add real value and make lasting connections, so that consumers in Belgium enjoy our beers time and again.

Jean-Yves Laurier
Special Events Officer, Belgium

Western Europe

Faced with highly unfavorable market conditions, Western Europe delivered substantial organic EBITDA margin expansion (13.6% total normalized EBITDA growth versus 1% last year) as a result of more effective commercial spending and far-reaching cost control. Innovation is working well and has helped minimize decline in volume within an overall challenging market.

Within the Zone, the best operational performances came from The Netherlands, Germany, and Italy. In terms of the global brands, Beck's performed particularly well in two of its main markets: Germany and the U.K. Re-connecting U.K. consumers with Stella Artois was, and is, a key challenge going forward.

Cost-Connect-Win

Zero-Based Budgeting (ZBB) has gone deep into the Zone, delivering 118 million euro cost savings beyond inflation coverage. A challenging but fruitful process, ZBB has played a clear role in the core business strategy for the Zone. Part of these cost savings have been re-invested in commercial activities, in line with the cost-connect-win cycle.

Innovation

4.4% of total sales for 2006 result from innovations implemented in 2005 and 2006. Beck's Green Lemon continued to grow in Germany and Beck's Chilled Orange was successfully introduced. New innovations Jupiler Blue and Leffe 9° delivered strong performances in Belgium, as well as Beck's Vier in the U.K., providing additional support for the overall Beck's brand.

Footprint optimization

Structural changes have taken place across a number of markets in the Zone this year, including the downsizing of Belle-Vue and transfer of production of Hoegaarden to Jupille in Belgium; and the sale of the Braunschweig, Zwickau, and Stuttgart plants in Germany.

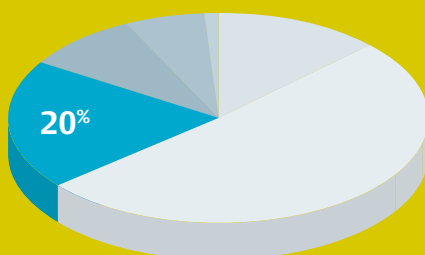
Driving efficiency

Belgium, Germany and Luxemburg back-office finance as well as export functions were transferred to Shared Service Centers in Hungary and the Czech Republic, and Western Europe business systems and application services were outsourced.

Up
45%
in the U.K.



N°1
beer brand
in Belgium



Normalized EBITDA in Western Europe



Zone Western Europe priorities for 2007

- Retain cost control with a focus on non-commercial costs, in order to offset negative commodity price evolution and to achieve the appropriate level of commercial investment.
- Optimize the supply-demand process.
- Continue to focus on innovation and premium brands.

Central & Eastern Europe

In 2006 InBev outperformed the market, delivering 12.3% organic volume growth in Central & Eastern Europe, achieved through a combination of disciplined sales execution together with market innovation.



Sales
tripled
since 2001

Double-digit
growth
in Russia &
the Ukraine



Delivering commitment to top-line growth

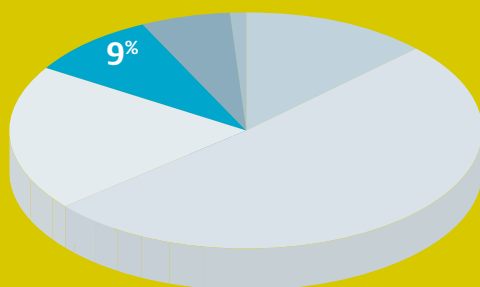
After a tough start to the year with an exceptionally cold winter in Russia impacting on supply and logistics, InBev went on to achieve strong top-line growth, and margin expansion supported by good cost management. Across the Zone, market share grew in almost all markets, with performances in Russia, Ukraine, Romania and Serbia particularly strong.

Improving the margin mix of volumes

Global brands are improving the margin mix of volumes, with Brahma delivering double-digit growth in Russia and the Ukraine; Beck's having a strong year in almost all countries in the Zone, and Stella Artois moving from the premium to the super-premium segment in Russia delivering volume growth up 65%. Other brands have also made a sizable contribution to growth with Löwenbräu performing well in Romania; and Apatinska moving from a value to a core lager brand in Serbia improving the margin mix.

Innovation driving growth

Central & Eastern Europe has been particularly receptive to innovation, with consumers open to new experiences and products. Brand innovations in the Zone include Stella Artois Légère in Hungary; Ozujsko Fresssh in Croatia, Klinskoe China Town, and Sibirskaya Korona (Siberian Crown) Non-Alcoholic in Russia.



Normalized EBITDA
in Central & Eastern Europe

Capturing future growth opportunities

In 2006 InBev completed its acquisition of Interbrew Efes Romania, allowing us to capture future growth opportunities more quickly. The acquisition of Tinkoff in Russia (in 2005) was fully integrated during 2006, with the Tinkoff brand incorporated into InBev's Russian portfolio.



I've worked for InBev for 18 years, so I know the bottling department inside out.

When we had new crate washers, I noticed that we were losing fresh water from an open inlet valve, even when the washer was not in use. I went back to my own kitchen at home to experiment and calculate the amount of water we might be able to save. I told the plant manager, and by simply closing the water inlet we have saved 2% of our water use. I hope I've shown that with common sense, each of us in our own way, can make the difference.

Danica Crnjak
Bottling Department,
Zagrebacka Pivovara, Croatia

Working the 'InBev Way'

Much progress has been made during 2006 in working the 'InBev Way'. Financial discipline is becoming part of the culture in the Zone with Zero-Based Budgeting kicking off in summer 2006, becoming fully operational for the start of 2007.

2006 was also the first cycle of the Global Management Trainee Program in Central & Eastern Europe, with trainees working in the Zone and campus recruitment underway for 2007.

Zone Central & Eastern Europe priorities for 2007

- Further implementation of InBev's cost management approach, including Zero-Based Budgeting, procurement initiatives, and Voyager Plant Optimization.
- Continue to focus on core and premium brands.
- Launch innovations to close gaps in consumer needs in order to continue to outperform the market.



Asia Pacific

2006 has been a year of exciting external growth in China with the acquisition of Fujian Sedrin, its effective integration, and successful consolidation. Both in South Korea and China, the implementation of best practices in sales and in cost management have strengthened us for future growth.

Growing
**market
share**
in South Korea



Exceeding expectations in its

1st year

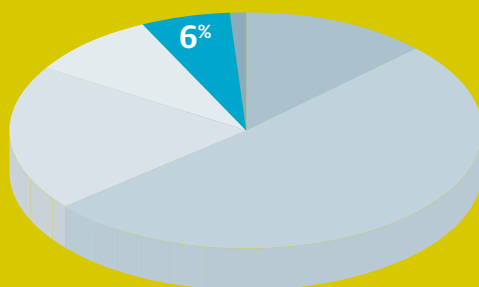


Building a strong presence in China

The 2006 acquisition of Sedrin supports InBev's strategy of building a strong presence in China's central and eastern regions. A strong cultural fit led to a smooth integration process, effectively positioning InBev China for future growth. InBev China also increased its minority position in Zhujiang, and through the acquisition of a small brewery, QuZhou, added around 1 million hectoliters of capacity in Zhejiang.

Focus on profitability in China

InBev's strategy in 2006 has been to focus on competing in the most profitable segments of the market in China, and to strengthen local brands whilst building multi-regional brands. In 2006 Shiliang (Red Rock) has been a highly successful regional brand in the Zhejiang Province; performance of the Sedrin brand after the acquisition exceeded expectations both in terms of top and bottom line; and in Ningbo, K was successfully converted into KK in order to capture the core market.



Normalized EBITDA in Asia Pacific

Cass brand shines in South Korea

Cass has increased its market share in South Korea in 2006, becoming the fastest growing brand among the young adult South Korean population. The launch of the innovative brand extension Cass Ice Light, has also contributed to the expansion of Cass. Going forward, InBev will continue to drive the Cass brand, as well as focus on the regional strength of OB.



China is a big stage – and I’ve joined InBev at a historic and unique time in the company’s growth in the country, especially with the Sedrin acquisition.

Going out there in the sales field as part of my training has been a really ‘hands-on’ experience. I’ve recommended beers in restaurants, cycled around local points of connection, worked with customers of different dialects, carried out market research street by street – an unforgettable adventure, which takes me to the heart of our business and its growth in China, right from the start.

Kim Zhu-simeng
Global Management Trainee,
Asia Pacific

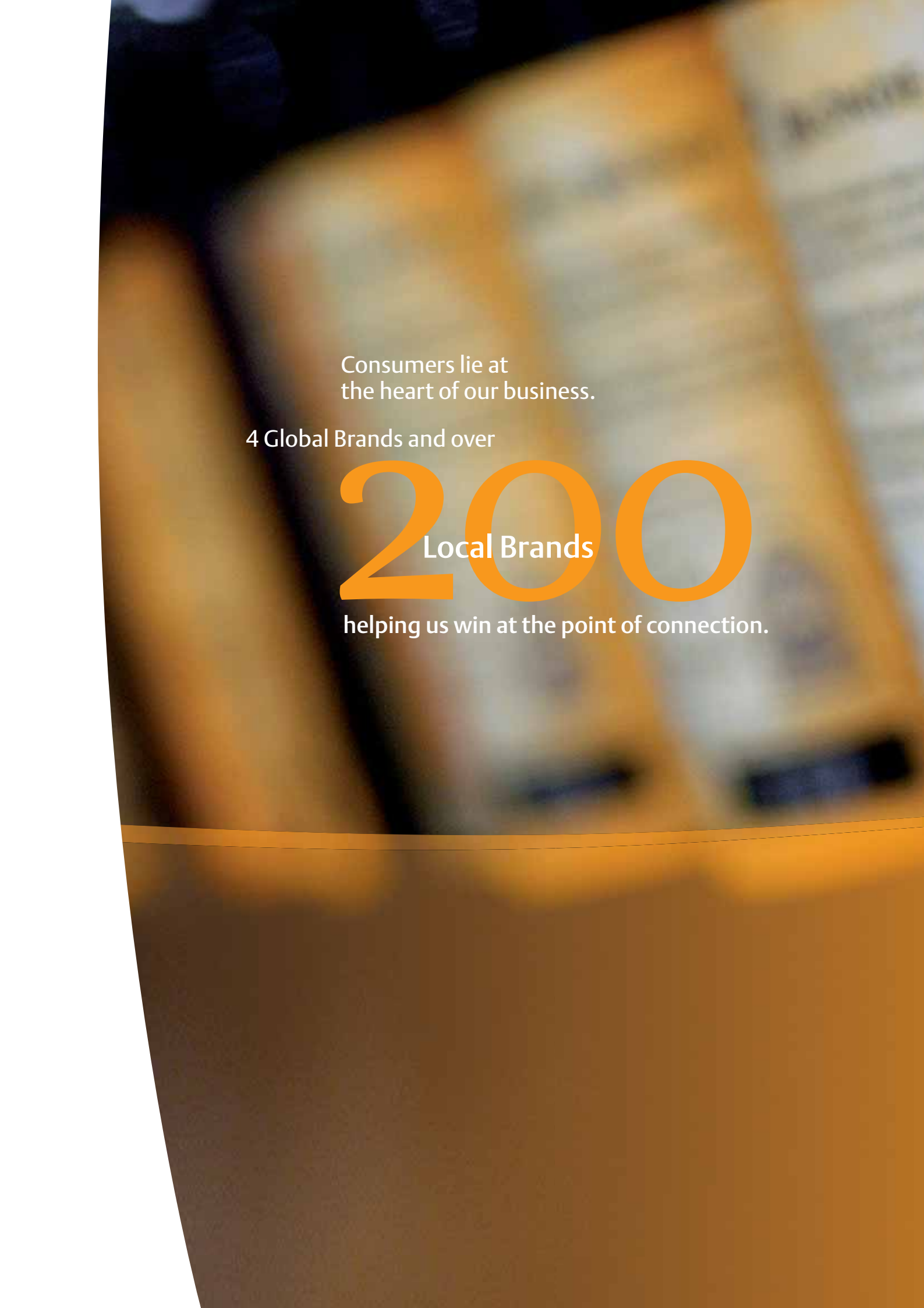
Cost-Connect-Win in action

In South Korea, new sales processes were successfully introduced across all channels and geographies, funded by cost savings. Similarly in Ningbo, China, fixed cost savings were freed up to help defend InBev’s position in the face of highly competitive market conditions.

Zone Asia Pacific priorities for 2007

- Achieve a good balance between volume and profit growth to reinforce market leadership in central and eastern China.
- Drive the growth of Cass in South Korea, and accelerate the regional strength of OB.
- Continue to focus on cost management through Value Engineering, Zero-Based Budgeting and Voyager Plant Optimization.





Consumers lie at
the heart of our business.

4 Global Brands and over

200
Local Brands

helping us win at the point of connection.



Global Brands

Local Brands

Points of Connection

Global Brands

InBev's global brands are built on values and experiences which appeal to consumers across borders. Significant progress has been made in growing the value of the brands in 2006, with revenue growing ahead of volumes as a direct result of premiumization of the portfolio. We have been disciplined in our marketing spend, and both global and local brands have been important beneficiaries as a result of strong cost management in other aspects of the business, in line with the cost-connect-win model.



Global volumes
up almost **10%**

Savoring special moments

Leffe is now available in more than 60 countries worldwide. Growing at 9.9% in 2006, it has more than doubled its volume over the last decade. Growth has been particularly strong in France, with increases of 13.9% versus 2005, and also in the U.K. where it is up 35%, growing significantly faster than the overall segment in which it competes.



Stella Artois
up 60%
in the U.S.

Fifth largest international beer

Stella Artois is the fifth largest international beer in the world (excluding domestic sales), and is distributed in over 80 countries, selling 10 million hectoliters in 2006. The brand performed particularly well this year in the U.S. growing by 60%, where it has been the frontrunner of our portfolio in the premium draught import category. In Latin America, the growth of Stella Artois in Argentina has also been positive and ahead of expectations.

In Central & Eastern Europe, sales have been strong in Russia, up 65%, and the Ukraine, up 33%, compared with the previous year. In Western Europe it has been a challenging year for the brand in the U.K. The objective of the introduction of the Brasserie Artois range in the U.K. is to re-connect consumers with the rich brewing heritage, values, and traditions synonymous with Stella Artois.



Volumes outside
Latin America
up 48%

Brings 'ginga' to the consumer

Brahma is the fifth largest beer brand in the world, available in more than 30 countries including 20 outside Latin America. Globally it sold 24.6 million hectoliters in 2006. Outside Latin America, Brahma had a strong year in Canada, Russia, and the Ukraine, and also performed positively in the U.K.

Global
volumes
up 14%

Number one German beer in the world

Beck's is the number one German beer in the world, available in more than 120 countries, selling 7.2 million hectoliters in 2006. Beck's delivered very strong performances in the U.K., up 45% compared with 2005, and in Germany. Line extensions Beck's Green Lemon, Beck's Gold, Beck's Level 7, and Beck's Chilled Orange in Germany; and Beck's Vier in the U.K. (a premium challenger to the 'standard lager' category) helped to keep the overall Beck's brand vibrant and premium.

In Central & Eastern Europe, strong InBev businesses in Romania and Bulgaria successfully grew the value of Beck's within their local markets with increases of 35% and 14% respectively.



Local Brands

Strong local brands are the foundation of our relationships with consumers. Local brands are responsible for 80% of InBev's total business, connecting with consumers across six continents. This page contains just some of the highlights from across InBev's Zones:

33 million
hectoliters sold
in 2006



Skol

Skol is the third largest selling beer in the world. Skol sold more than 33 million hectoliters in 2006, and in Brazil it won this year's prestigious Caboré advertiser of the year award. Skol Lemon, an innovation launched in 2006, brings to Brazil a new and unique taste experience that blends the drinkability of Skol with the refreshment of lemon.



Alexander Keith's

With a heritage stretching back to 1820, Alexander Keith's is the number one brand in the Canadian domestic specialty segment. In its home market of Nova Scotia, one in every three beers purchased is a Keith's. In 2006 volumes grew by 6.5 % versus 2005.

Sedrin

Through the acquisition of Sedrin, InBev not only purchased a great company with a strong market position, but also the ability to take the brand to more geographies. Since the brand's acquisition, sales have exceeded expectations and we are seeing encouraging signs of it becoming a multi-regional brand.

Jupiler

Jupiler is the number one beer brand in Belgium. It is also fast becoming an established brand in The Netherlands achieving double-digit growth in 2006. Jupiler Blue, a highly successful brand innovation launched in Belgium in 2006 combines the great taste of Jupiler with lower alcohol content, extending its appeal to a broader range of consumption occasions.

Sibirskaya Korona (Siberian Crown)

Siberian Crown is a leading premium brand sold throughout Russia, which has demonstrated strong growth of 23% versus last year, selling over 2.5 million hectoliters in 2006. The brand leads the premiumization of our portfolio in Russia, reflecting the elegance of the Russian 'Silver Age' at the turn of the 19th and 20th centuries. This has built a unique brand platform for Siberian Crown, quite distinct from its competitors.



Points of Connection

In 2006 InBev delivered on its commitment by achieving year-on-year sales volume growth in the range of 4-5 % for the second consecutive year.

InBev aims to become a sales-driven company, and our number one priority is our relationship with customers and consumers. With our customers we focus on the 'point of connection' as the moment of choice for consumers – the moment when customers promote, and consumers decide to purchase or consume one of our beers.

A disciplined approach to sales execution

Our sales model is based on a partnership approach, working towards achieving the best possible relationships with our customers and consumers, so that they choose to enjoy InBev beers, time and again.

Our sales strategy is based on best practices gathered from across the InBev world, effectively assimilated into a coherent global sales program which we will continue to roll out in the coming years. The InBev approach brings consistency, disciplined execution, and the sharing of best practices to the ways in which we connect with consumers, with the objective of growing volume, market share, and profitability.

2006 saw the roll-out of pilot projects across the Zones, delivering encouraging first results, as well as important learnings for the future. Through the pilots and subsequent roll-out, our sales execution program will come to life. The program will be successful when InBev sales teams practice disciplined sales execution each and every day. A strong focus on sales execution is already starting to deliver a difference in Central & Eastern Europe where for example, committed efforts and investment in Russia and the Ukraine, are an important contributory factor in the strong resulting volumes.





Making the difference through Cost-Connect-Win

In 2006 InBev's sales capabilities were clearly boosted by the cost-connect-win model. As cost reduction programs capture non-working money from other areas of the business, further investments have been made to enhance sales programs, targeting resources where they most effectively benefit consumers. Available money supports not only sales teams, but also industrial investments.



The background of the image shows two men in silhouette standing on a rooftop terrace. They are looking out over a city skyline under a clear blue sky. A prominent building in the background has a sign that reads 'HOTEL DE VILLE'. The overall scene is backlit by the sun, creating a strong silhouette effect. A large red diagonal shape is overlaid on the bottom right corner of the image.

Zero-Based Budgeting savings of

118
million euro in Western Europe.



InBev People

Engagement, Leadership,
and Future Talent

World Class Efficiency

Voyager Plant Optimization
Footprint Optimization
Zero-Based Budgeting
Procurement



InBev has undergone rapid change, constantly evolving and continuously improving.

One feature of change is the opportunity to bring together committed people to discuss and learn from each other, sometimes with amazing results. It is very rewarding to be a part of that process. InBev is investing more than ever in developing our people at every level within the organization whether it's through the Global Management Trainee Program, Managing@InBev for junior managers, Leading@InBev for middle to senior managers, or the Global Leadership Development Program readying high potential talent for top roles. It's great to see more and more people showing their passion for our business and its future.

Duke Maines
Director of Learning,
Global Headquarters



InBev People

InBev describes its people as the company's only long-term competitive advantage. We aim to have the right people in the right places at the right time with the right skills – to drive the right results for the business. This commitment is delivered through a process of target setting and review, performance management, and succession planning sessions.

Engagement

In 2006 InBev conducted its first Multi-Country Employee Engagement Survey capturing the views of more than 19 000 employees in ten countries, together with the Global Headquarters. The survey is an important management tool contributing to a greater understanding of our priorities for employee engagement. Throughout the year, employee engagement plans have been rolled out in the Zones, with a strong focus on the right kind of leadership.

Leadership

Leadership has been a key theme in 2006, with a Senior Leadership Convention taking place, together with InBev's Leadership, Performance, and Change Program concentrating on simple, focused, and disciplined leadership driven by results.

When it comes to future leaders, our conviction is that they will be found within the company. For example, at our Global Headquarters 51 out of 53 senior management appointments made in 2006 were promotions from within. InBev also invests in future leaders through an INSEAD/WHARTON MBA program which in its fifth year, has advanced the careers of 180 graduates. New for 2006 is the Leading@InBev initiative for middle to senior managers which was piloted during the year and is set for expansion in 2007.

Future talent

In 2006 InBev welcomed over 100 trainees to our Global Management Trainee Program. The program is well established and continues to expand, with active recruitment underway for more than 130 trainees in 2007. The Global Management Trainee Program focuses on attracting and developing InBev's future leaders.

World Class Efficiency

Voyager Plant Optimization (VPO)

In 2006, Voyager Plant Optimization delivered on its commitment to bring greater efficiency to our brewery operations and generate cost savings, whilst at the same time driving up quality and safety. The program is now up and running in all InBev Zones. By the end of 2006 Voyager Plant Optimization was operational in 69 breweries.

VPO is more than just a project – it is a long-term way of life. Achieving VPO certification is very much the beginning of a process - working towards sustainable results which can be reproduced year after year. Above all, VPO is about behavior change, with our people making the difference in their drive for continuous improvement.

In 2006 we also rolled out the Value Engineering process, driving important cost reductions in all Zones. As VPO tackles performance improvement opportunities, Value Engineering is focused on discovering new opportunities which can be benchmarked and shared across the different Zones.

Footprint optimization

In 2006 a number of changes were made to our overall brewery footprint:

North America

In September 2006 InBev sold the Latrobe brewery to City Brewing of LaCrosse Wisconsin.

Latin America

AmBev increased its ownership of Quinsa in Latin America strengthening its foothold in Argentina, Bolivia, Chile, Paraguay, and Uruguay.

Western Europe

Braunschweig, Zwickau and Stuttgart plants were sold in Germany. In Belgium, Belle-Vue was downsized, and at the end of 2006 production of Hoegaarden transferred to Jupille.

Central & Eastern Europe

In September 2006 the first stone was laid for a new brewery in Angarsk, Siberia, with construction expected to be completed in early 2008. The new plant will boost capacity to satisfy growing demand in the eastern part of Russia. It will have a brewing capacity of 4.8 million hectoliters per year, and will provide jobs for 480 people. In the Czech Republic, the Branik plant was announced for closure.

Asia Pacific

In addition to the acquisition of Sedrin which strengthened InBev's position in central and eastern China, InBev also acquired QuZhou, increasing capacity by 1 million hectoliters in the Zhejiang Province.



We realized long ago that to deliver great beer to consumers, great brewing is not enough.

We also need the best beer tasters to make sure the quality of our beer consistently lives up to its well-deserved reputation. Our day to day service involves auditing tasting panels in InBev's breweries, training people to become great tasters, and improving our expertise to ensure quality and consistency. In 2006 one of our licensee partners in Australia said that "of all our partners, it is the InBev panel that we hold in highest esteem." This makes me very proud of what we are doing and who we are. After all, quality begins on the inside and works its way out.

José Laguna-Rodriguez
Panel Leader and Sensory Analyst,
Zone Brewery Support Europe

Zero-Based Budgeting (ZBB)

2006 is the year in which Zero-Based Budgeting has taken root within InBev's culture, becoming a way of life that is here to stay. ZBB delivers the crucial first step in the cost-connect-win process, enabling us to capture savings from our fixed cost base which can be used to connect with consumers and drive top-line results. In a highly competitive market place it also ensures that the company remains competitive, and is well positioned to offset cost pressures.

2006 was the first year of ZBB in South Korea and in parts of Central & Eastern Europe, achieving higher spend visibility and better understanding of ways to achieve more for less. Western Europe has been a benchmark this year in terms of the rigorous challenge of non-working costs; and strong results have also been achieved from the second year of ZBB in North America.

Managing costs through procurement

Procurement is a key strategic function within InBev. It is about managing costs and driving smart spending by buying what is needed, when it is needed, at the best possible value.

Procurement's goal is to achieve sustainable savings each year. In 2006 notable savings were achieved in buying point of connection marketing items, and in the sourcing of media. In addition a number of global sourcing projects were launched.

InBev made significant improvements this year in achieving greater spend visibility, understanding business needs, and aligning language and processes to ensure the most effective leverage of our global scale.

Emphasis has also been placed on driving innovation through our relationships with suppliers. InBev's first global suppliers convention held this year, challenged suppliers to understand our overall business strategy and partner with us to help achieve our goals.



In the past, every country in Western Europe purchased their own point of connection materials such as T-shirts, polo shirts, and parasols, but we realized we could generate huge savings if we pooled our purchasing power across the Zone.

We worked out what we needed to buy, defining and standardizing our requirements in a catalogue, and invited suppliers to bid for contracts using an innovative online-auction approach. Results have been tremendous, with savings in the region of 50% in some categories, and the approach has been duplicated across other parts of the InBev world.

Anne Coia
Global Buyer





IMPROVISE

THE PREMIUM BEER FROM BRAZIL

A photograph of a vast field of green wheat, with the stalks swaying in the breeze. The field stretches to a distant horizon under a clear, light blue sky. The image is used as a background for a sustainability report.

95%
of InBev's waste
and byproducts are recycled.



Corporate Citizenship

Corporate Citizenship

Corporate citizenship is central to doing business the 'InBev Way'. Our vision of moving from 'Biggest to Best' is not only defined in terms of profitability. It is also about having the best and fastest growing brands, being the best partner to our customers, having the best and most committed people, and adopting the highest standards of integrity in the way in which we conduct our business. Becoming the best can only be achieved with the trust and engagement of all our stakeholders. In 2006 InBev published its second Global Citizenship Report - a balanced and transparent account of progress on our citizenship journey. The full report can be found at www.InBev.com/citizenship.

Responsible consumption

As a company in the alcohol beverage industry we are committed to promoting responsible consumption. Beer is a natural product crafted through centuries of tradition, and enjoyed responsibly by the majority of our consumers. However we recognize that alcohol misuse can cause real harm. We are committed to playing our part in preventing and addressing the effects of negative drinking behavior on families and communities.

Our growth as a company will be achieved by providing opportunities for adult consumers to savor our high quality, premium brands around the world; and encouraging those who currently choose wine or spirits to switch to enjoying our beers. Irresponsible consumption is not favorable to our growth, or to the reputation of the brands we are proud of, and we are rigorous in our efforts to ensure that our own marketing, advertising, and sponsorships promote sensible and responsible consumption.

Our Code of Commercial Communications ensures that we don't direct communication towards those under the legal drinking age; and that we do not encourage hazardous activities such as drinking and driving. The Code is mandatory for the entire company, covering all countries in which we operate, and is backed up by training and other compliance measures.

We have great strength and expertise as a company in connecting with consumers, and we use this expertise to reach out in the communities in which we operate, tackling issues such as drinking and driving, underage drinking, and encouraging drinking in moderation. An example includes the 'Dialogue' project in the Ukraine, directly engaging with young people, their parents, and schools, in order to raise awareness of underage drinking. InBev also contributes to the 'BOB Campaign', run by the Belgian Institute for Road Safety (IBSR) which promotes the identification of a designated driver and raises public awareness of drink-driving issues.



'Dialogue' project in the Ukraine



The environment

Brewing beer is a natural process, which has always been linked to the environment. As a result of our brewing processes over 95% of total waste and byproducts are reused or recycled; left-over grain and yeast are used in cattle feed for example.

Improving water efficiency

Water is one of the most important environmental resources of the 21st century and it is central to InBev's world-renowned products. Since 2003 our water use has fallen by 11.4% across the board.

Reducing greenhouse gas emissions

InBev has reduced the amount of energy required to produce a hectoliter of product by 12.4% since 2003. In addition, InBev increasingly uses fuel from renewable resources, including biogas and biomass. For example, coconut husks are used as a carbon dioxide neutral energy source in four Brazilian breweries, resulting in a reduction of greenhouse gas emissions by over 85 000 tons each year. This is in line with the Kyoto agreement and also generates production efficiencies.

Case study: Environmental awards in 2006

AmBev won two environmental awards in 2006: 'Model Company in Social Responsibility'¹, and an Environmental Distinction Award². Also in 2006, the Huachipa Plant in Peru became the first beverage plant in the country to receive a Peruvian National Award for Clean Production and Eco-efficiency from the Peruvian National Environmental Authorities.



In 2006 the Huachipa Plant in Peru received the National Award for Clean Production and Eco-efficiency, outperforming competing companies from across the country.

It was the first time a beverage company has ever received such an award in Peru. Our excellent results in Eco-efficiency in less than two years of operation, were due to the correct implementation of InBev's standardized environmental procedures. It is an honor to be part of a company with such a strong culture and corporate environmental policy. But above all it is an honor to work with a team of people that makes environmental commitment part of our everyday working lives.

Lourdes Denis
Environment Manager,
Huachipa Plant, Peru

¹ Corporate Guide for Good Citizenship – Exame Magazine
² Environment Management System – SGA

**CONVERSATION
STARTER SINCE 1820.**



*TM/MC Keith's Brewery

Reports

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Management report

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

Main transactions in 2006 and 2005, 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 2006

Acquisition of Fujian Sedrin Brewery in China

On 23 January, InBev announced that it reached agreement with various parties to acquire, in a series of transactions, 100% of the shares in Fujian Sedrin Brewery Co. Ltd. ('Sedrin'), the largest brewer in Fujian province, for a total cash consideration of 5 886m RMB. The acquisition was completed on 8 June. The total RMB purchase price of 5 886m was settled in US dollar for an equivalent EUR amount of 621 million.

Combined with InBev's existing operations in China, this transaction positions InBev as one of the largest brewers in China with 36 million hl volumes sold in 2005 and a leading presence in the affluent southeastern part of China.

Increase of shareholding in Quinsa

On 13 April, InBev announced that AmBev had entered into an agreement with Beverage Associates Corp. ('BAC') to acquire all of BAC's remaining shares in Quinsa for a total purchase price of approximately 1.2 billion US dollars, subject to certain adjustments, including dividends and interest. As a result of the transaction, AmBev's equity interest in Quinsa increased from 56.72% to 91.18% of its total share capital.

This agreement represents the final step of a transaction initiated in May 2002, whereby AmBev acquired an initial stake in Quinsa. The respective agreements provided that BAC had a put option in connection with its remaining shares in Quinsa, in exchange for AmBev's shares. AmBev had a corresponding call right after 2009. Pursuant to this transaction, which supersedes these put and call options, the parties agreed that the purchase price will be paid in cash. The transaction was closed on 8 August.

Since the creation of InBev in September 2004, InBev has included the results of Quinsa in its financial statements using the proportionate consolidation method. Following our substantial increase in shareholding in Quinsa, we fully consolidate Quinsa as from August 2006.

Disposal of Rolling Rock

On 19 May, InBev and Anheuser-Busch jointly announced the sale of the Rolling Rock® family of brands. The sales price was 82m US dollars (67m euro) for the US and worldwide rights to Rolling Rock® and Rock Green Light®.

Anheuser-Busch began brewing Rolling Rock® and Rock Green Light® in August using the brands' same time honored recipes, maintaining Rolling Rock's craftsmanship and heritage that its fans expect and appreciate.

The decision to sell the Rolling Rock® brands was based on InBev's strategic approach to the US market, which is to focus on the high-growth import brands in our portfolio. InBev's sales and marketing efforts are aimed at maximizing the potential of our leading imported beers, including Stella Artois®, Bass Pale Ale®, Beck's®, Brahma® and Labatt Blue®, and on our strength as the US leader in imported draught beer.

In September 2006, InBev sold its brewery in Latrobe, Pennsylvania USA, which was dedicated to the brewing of Rolling Rock® beer to City Brewing of Lacrosse Wisconsin.

European import brands in USA

On 30 November, InBev and Anheuser-Busch reached an agreement for European import brands in the United States. On 1 February 2007 Anheuser-Busch has become the exclusive US importer of a number of InBev's premium European import brands, including Stella Artois®, Beck's®, Bass Pale Ale®, Hoegaarden®, Leffe® and other select InBev brands.

Since 1 February 2007, Anheuser-Busch imports these premium brands and is responsible for their sales, promotion and distribution in the United States. These InBev brands are available to Anheuser-Busch's US wholesaler network where possible.

InBev's Canadian brands, including Labatt Blue® and Labatt Blue Light®, as well as Brahma®, are not included in the agreement. Working closely with Labatt Breweries of Canada, InBev USA continues to market and sell the Labatt and Brahma brands through a separate distribution network.

Acquisition of minority interests

In 2006, InBev purchased significant minority interests in several subsidiaries for a total cash consideration of 740m 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 2006	31 December 2005
AmBev Brazil	58.36%	56.57%
Oriental Brewery Co Ltd. (Korea)	100.00%	95.08%
InBev Germany Holding GmbH, Bremen	100.00%	97.82%
Interbrew Efes Brewery (Romania)	100.00%	50.00%

Transactions 2005

During the year 2005 InBev purchased significant minority shareholdings in several subsidiaries for a total cash consideration of 1580m euro. As the related subsidiaries (with the exception of Quinsa) 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%
Quinsa, 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.

Events after the balance sheet date

Please refer to note 33 *Events after the balance sheet date* 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	2006	%	2005	%
Revenue ¹	13 308	100.0	11 656	100.0
Cost of sales	(5 477)	41.2	(5 082)	43.6
Gross profit	7 831	58.8	6 574	56.4
Distribution expenses	(1 551)	11.7	(1 362)	11.7
Sales and marketing expenses	(2 115)	15.9	(1 948)	16.7
Administrative expenses	(1 075)	8.1	(957)	8.2
Other operating income/(expenses)	133	1.0	132	1.1
Normalized profit from operations (Normalized EBIT)	3 223	24.2	2 439	20.9
Non-recurring items	(94)	0.7	(241)	2.1
Profit from operations (EBIT)	3 129	23.5	2 198	18.9
Normalized profit attributable to equity holders of InBev	1 522	11.4	1 024	8.8
Profit attributable to equity holders of InBev	1 411	10.6	904	7.8
Depreciation, amortization and impairment	(1 056)	7.9	(934)	8.0
Goodwill impairment	(37)	0.3	-	-
Normalized EBITDA	4 239	31.9	3 339	28.6
EBITDA	4 223	31.7	3 132	26.9
Normalized ROIC ²		14.2		11.3
ROIC ²		14.0		10.3

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 either income or expenses which do not occur regularly as part of the normal activities of the company. They are presented separately because they are important for the understanding of the underlying sustainable performance of the company due to their size or nature. Normalized measures are additional measures used by management and should not replace the measures determined in accordance with IFRS as an indicator of the company’s performance.

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

2 See Glossary.

Financial performance

Results for the year of 2006 reflect the company's ongoing commitment to grow cash flow generation and margins in all markets in which it operates. Nearly all Zones delivered against these commitments in 2006, and management believes that it is taking the appropriate actions to further improve future results.

Overall, full year margins expanded, leading to strong EBITDA growth, due to continued top line growth, lower cost of sales per hl, and a consistent focus to reduce non-working expenses.

North America made good margin progress versus 2005 with higher volume and revenue, combined with cost discipline across its operations. In Latin America margins expanded further, due to solid top-line growth, and a good management of expenses. Western Europe made considerable progress in cost control during the year, which combined with a mix improvement, partly driven by innovation, delivered much better margins. The Central & Eastern Europe business saw top line growth accelerate, while at the same time ensured the right level of expenditures to support continued growth, also resulting in higher margins. Asia Pacific faced many challenges during the year, and despite cost containment efforts, saw margin contraction.

Impact of foreign currencies

Foreign currency exchange rates have a significant impact on our financial statements. In 2006, 30% (2005 – 27.9%) of our revenue was realized in Brazilian reals, 10.2% (2005 – 10.7%) in Canadian dollar, 9.2% (2005 – 10.2%) in pound sterling, 6.7% (2005 – 5.7%) in Russian ruble, 3.7% (2005 – 4.0%) in South Korean won, 3.6% (2005 – 3.7%) in US dollar, 3.6% (2005 – 3.7%) in Argentinean peso, and 3.0% (2005 – 2.2%) in Chinese yen.

The fluctuation of the foreign currency rates had a positive translation impact on our 2006 revenue of 518m euro (2005: 660m euro), EBITDA of 255m euro (2005: 309m euro) and profit from operations of 210m euro (2005: 241m euro).

Our profit has been positively affected by the fluctuation of foreign currencies for 159m euro (2005: 153m euro) and our EPS base (profit attributable to equity holders of InBev) by 96m euro or 0.16 euro per share (2005: 87m euro or 0.14 euro per share).

The impact of the fluctuation of the foreign currencies on our net debt is (250)m euro (decrease of net debt) and on our equity (353)m euro (decrease of equity). In 2005 there was an impact of 693m euro (increase of net debt) and 1 609m euro (increase of equity), respectively.

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	2006	2005
North America		
Canada	9.2	9.1
U.S.A.	4.2	4.7
Cuba	0.9	0.9
	14.3	14.7
Latin America		
Brazil beer	65.6	62.4
Brazil soft drinks	22.1	20.3
Argentina	17.2	10.8
Uruguay	1.0	0.6
Paraguay	1.7	1.1
Chili	0.5	0.3
Bolivia	2.2	1.3
Dominican Republic	1.6	1.4
Ecuador	0.2	0.3
Guatemala	0.2	0.4
Peru	2.8	2.4
Venezuela	2.1	2.2
	117.2	103.5
Western Europe¹		
United Kingdom	11.9	12.3
Belgium	6.3	6.3
Netherlands	2.6	2.4
France	2.3	2.4
Luxemburg	0.2	0.2
Germany	10.8	12.5
Italy	1.4	1.4
Austria	0.1	0.1
Switzerland	0.1	0.1
Spain	0.2	-
Export & licenses	3.2	3.7
	39.1	41.4
Central & Eastern Europe		
Central Europe		
Hungary	2.3	2.2
Bulgaria	1.5	1.4
Croatia	1.5	1.6
Romania	3.4	2.6
Serbia	3.3	3.0
Montenegro	0.5	0.4
Czech Republic	2.7	2.6
	15.2	13.8
Eastern Europe		
Russia	18.7	15.7
Ukraine	9.3	8.6
	28.0	24.3
	43.2	38.1
Asia Pacific		
South Korea	6.5	7.2
China	23.3	16.3
Licenses	1.1	0.6
	30.9	24.0
Global exports	1.8	1.8
Total	246.5	223.5

¹ Includes subcontracting/commercial products: 6.4m hectoliters in 2006 and 6.4m hectoliters in 2005

The table below summarizes the volume evolution per Zone and the related comments are based on organic numbers:

Million hectoliters	2005	Acquisitions/ divestitures	Organic growth	2006	Organic growth%
North America	14 639	(617)	319	14 342	2.3 %
Latin America	103 533	6 654	6 965	117 152	6.7 %
Western Europe	41 450	(2 091)	(211)	39 147	(0.5 %)
Central & Eastern Europe	38 021	513	4 667	43 201	12.3 %
Asia Pacific	24 048	5 791	1 084	30 924	4.6 %
Global Export and Holding Companies	1 813	(266)	216	1 763	14.0 %
Worldwide	223 504	9 985	13 040	246 529	5.9 %

Total consolidated volume in 2006 increased +5.9 % versus 2005 (beer +5.5 %; non-beer +8.9 %). Organic growth was achieved in all Zones except for Western Europe, which declined slightly, with significant contributions from Latin America, Central & Eastern Europe, as well as Asia Pacific.

Full year shipments in North America increased +2.3 %. Canadian volumes were up by +0.7 %, supported by good growth in western Canada. In the US, shipments were +4.6 % higher, and total depletions grew +2.8 %, both driven by growing European import brands. As a result of the agreement reached with Anheuser-Busch ('A-B') at the end of 2006 whereby A-B becomes the exclusive importer of these brands for the US, we anticipate a further acceleration of volume growth.

Latin America volumes grew +6.7 % (beer +5.0 %; non-beer +11.3 %) during 2006. In Brazil, beer volumes increased +5.1 %, and we realized a market share of 68.8 %, a gain of +0.5 % over 2005. We sold +4.2 % more beer year on year in the markets outside of Brazil. The southern cone countries (Argentina, Bolivia, Chile, Paraguay, and Uruguay) performed very well, and delivered beer volume growth of +9.1 %. Beer volumes declined by -10.3 % organically in northern Latin America and Central America (Ecuador, Peru, Venezuela, Dominican Republic and Guatemala). The company continues to focus on building our brands in these challenging markets.

2006 volumes decreased -0.5 % in Western Europe. Belgium volumes were down -0.5 %, slightly worse than the market, as the on trade segment remained weak. UK volumes declined by -4.4 %, leading to a share loss of 0.7 %. While our UK volume performance is largely due to a decline in Stella Artois, our other global brands (Beck's, Brahma, Leffe) grew by more than +50 %. Our German operations recorded a +0.2 % volume increase, as our innovations continued to perform well. For the Zone, volume and share performances were additionally impacted by a consistent focus to improve our portfolio, as core and premium volumes percentage of the overall mix grew 40 basis points (bps).

Central & Eastern Europe delivered a very solid volume performance, as total volumes grew by +12.3 %. Despite the slow start in the year due to the extreme cold, our performance improved remarkably in Eastern Europe, and strong increases were realized in Russia (+15.7 %) and Ukraine (+17.4 %), translating into market share gains. In Central Europe, nearly all markets delivered better volume results, with Romania up by more than +30 %.

Asia Pacific volumes grew by +4.6 % for the full year. In China, volumes were +7.7 % higher; we had single digit growth in the second and third quarters, but showed higher growth in the last quarter. South Korean volumes fell by -2.5 % over the full year, resulting in a share loss of 2.2 %.

Volumes of the global brands grew +4.8 % for the full year. Brahma® had volume growth of +3.5 %, impacted by lower volumes in Central America and good results in some new markets. Volumes of Stella Artois® increased +1.5 %, as a volume decline in the UK was more than offset by very good results in North America and Eastern Europe. Beck's® volumes increased by +14.0 %, boosted by Western Europe, especially through innovation, and Central & Eastern Europe. Leffe® had volume growth of +9.9 % driven mostly by Western Europe.

Operating activities by Zone

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

InBev Worldwide	2005	Acquisitions/ divestitures	Currency translation	Organic growth	2006	Organic growth %
Volumes	223 504	9 985	-	13 040	246 529	5.9 %
Revenue	11 656	231	518	904	13 308	7.9 %
Cost of sales	(5 082)	(64)	(168)	(163)	(5 477)	(3.3 %)
Gross profit	6 574	167	350	741	7 831	11.3 %
Distribution expenses	(1 362)	(17)	(63)	(109)	(1 551)	(8.1 %)
Sales & marketing expenses	(1 948)	(39)	(57)	(71)	(2 115)	(3.7 %)
Administrative expenses	(957)	(12)	(29)	(76)	(1 075)	(8.0 %)
Other operating income/(expenses)	133	(11)	4	6	133	5.1 %
Normalized EBIT	2 439	88	207	489	3 223	20.1 %
Normalized EBITDA	3 339	103	238	559	4 239	16.8 %
Normalized EBITDA margin	28.6 %				31.9 %	239bp

North America	2005	Acquisitions/ divestitures	Currency translation	Organic growth	2006	Organic growth %
Volumes	14 639	(617)	-	319	14 342	2.3 %
Revenue	1 733	(45)	89	53	1 831	3.2 %
Cost of sales	(670)	32	(23)	(20)	(680)	(3.1 %)
Gross profit	1 064	(12)	65	33	1 150	3.2 %
Distribution expenses	(257)	-	(17)	3	(270)	1.3 %
Sales & marketing expenses	(309)	9	(11)	-	(311)	0.1 %
Administrative expenses	(97)	(1)	(5)	(1)	(104)	(0.6 %)
Other operating income/(expenses)	(12)	-	-	6	(6)	52.5 %
Normalized EBIT	389	(4)	32	43	459	11.1 %
Normalized EBITDA	477	(7)	37	43	551	9.2 %
Normalized EBITDA margin	27.5 %				30.1 %	161bp

Latin America	2005	Acquisitions/ divestitures	Currency translation	Organic growth	2006	Organic growth %
Volumes	103 533	6 654	-	6 965	117 152	6.7 %
Revenue	3 947	224	357	473	5 001	12.0 %
Cost of sales	(1 537)	(97)	(112)	(58)	(1 804)	(3.8 %)
Gross profit	2 410	127	245	415	3 198	17.2 %
Distribution expenses	(440)	(21)	(37)	(59)	(556)	(13.4 %)
Sales & marketing expenses	(446)	(35)	(33)	(16)	(530)	(3.6 %)
Administrative expenses	(251)	(18)	(21)	(34)	(324)	(13.7 %)
Other operating income/(expenses)	49	(3)	6	(1)	51	(2.4 %)
Normalized EBIT	1 323	50	162	305	1 839	23.1 %
Normalized EBITDA	1 577	68	180	328	2 152	20.8 %
Normalized EBITDA margin	40.0 %				43.0 %	313bp

Western Europe	2005	Acquisitions/ divestitures	Currency translation	Organic growth	2006	Organic growth %
Volumes	41 450	(2 091)	-	(211)	39 147	(0.5 %)
Revenue	3 669	(114)	4	86	3 646	2.4 %
Cost of sales	(1 679)	84	(2)	(22)	(1 619)	(1.3 %)
Gross profit	1 990	(31)	2	65	2 026	3.3 %
Distribution expenses	(418)	13	-	(11)	(416)	(2.8 %)
Sales & marketing expenses	(740)	13	(1)	8	(720)	1.1 %
Administrative expenses	(290)	7	-	21	(263)	7.2 %
Other operating income/(expenses)	(104)	(8)	-	4	(108)	3.8 %
Normalized EBIT	439	(6)	1	86	520	19.9 %
Normalized EBITDA	751	(17)	1	100	834	13.6 %
Normalized EBITDA margin	20.5 %				22.9 %	219bp

Central & Eastern Europe	2005	Acquisitions/ divestitures	Currency translation	Organic growth	2006	Organic growth %
Volumes	38 021	513	-	4 667	43 201	12.3 %
Revenue	1 468	42	33	277	1 820	18.9 %
Cost of sales	(737)	(19)	(15)	(69)	(840)	(9.4 %)
Gross profit	731	23	17	208	979	28.4 %
Distribution expenses	(187)	(8)	(5)	(41)	(242)	(22.1 %)
Sales & marketing expenses	(243)	(5)	(5)	(58)	(312)	(24.0 %)
Administrative expenses	(107)	(4)	(2)	(27)	(140)	(24.3 %)
Other operating income/(expenses)	(49)	(1)	(1)	(29)	(80)	(58.4 %)
Normalized EBIT	145	5	6	51	206	35.8 %
Normalized EBITDA	311	6	10	70	398	22.9 %
Normalized EBITDA margin	21.2 %				21.8 %	67bp

Asia Pacific	2005	Acquisitions/ divestitures	Currency translation	Organic growth	2006	Organic growth %
Volumes	24 048	5 791	-	1 084	30 924	4.6 %
Revenue	747	123	35	6	912	0.8 %
Cost of sales	(379)	(65)	(16)	(8)	(467)	(2.3 %)
Gross profit	369	59	20	(2)	445	(0.7 %)
Distribution expenses	(61)	(1)	(3)	-	(66)	(0.8 %)
Sales & marketing expenses	(144)	(19)	(8)	(3)	(174)	(2.4 %)
Administrative expenses	(49)	(6)	(2)	3	(54)	6.8 %
Other operating income/(expenses)	23	1	-	(24)	(1)	(106.2 %)
Normalized EBIT	138	33	7	(28)	150	(20.2 %)
Normalized EBITDA	207	42	11	(20)	241	(9.7 %)
Normalized EBITDA margin	27.8 %				26.4 %	(289bp)

Global Export & Holding Companies	2005	Acquisitions/ divestitures	Currency translation	Organic growth	2006	Organic growth %
Volumes	1 813	(266)	-	216	1 763	14.0 %
Revenue	91	-	-	8	99	8.8 %
Cost of sales	(82)	1	-	14	(67)	17.5 %
Gross profit	9	1	-	22	32	215.7 %
Distribution expenses	-	-	-	(1)	(1)	(246.3 %)
Sales & marketing expenses	(66)	-	-	(2)	(68)	2.5 %
Administrative expenses	(163)	10	-	(38)	(191)	(24.7 %)
Other operating income/(expenses)	226	-	-	51	276	22.4 %
Normalized EBIT	6	11	-	32	49	195.2 %
Normalized EBITDA	15	11	-	38	63	149.2 %

Revenue

Consolidated revenue was 13 308m euro, a +7.9% organic increase (or +904m euro) year on year, with continued focus on implementing revenue management programs to support revenue per hl growth. Actively managing the effective growth of revenue per hl is one of the company's long term objectives.

- Latin America revenue per hl benefited from price increases in line with inflation, as well as premium volumes growing faster than overall volume growth
- Western Europe revenue per hl increased mainly due to an improved mix
- Central & Eastern Europe increased revenue per hl as a result of price increases, and some mix benefit

Revenue per hl rose by 1.8 % or 0.9 euro for 2006 versus 2005 on an organic basis, in spite of an estimated negative 'geography' impact of 1.1 euro per hl. This negative geography impact occurs when countries with lower revenue per hl measured in euro grow faster than countries with higher ones.

Cost of sales

Consolidated cost of sales (CoS) was 5 477m euro in 2006, an increase of 3.3 % (or 163m euro). Cost of sales per hl went down by 2.5 %, or 0.6 euro in 2006 year on year, of which an estimated 0.5 euro per hl was the positive impact of the change in the geographic mix. The remaining 0.1 euro per hl demonstrates that the continuing deployment of proven efficiency programs allowed the company to offset inflation and other input costs pressures.

Operating expenses

Operating expenses were 4 608m euro in 2006, an increase of 6.1 % (or 250m euro) versus 2005.

Distribution expenses rose 109m euro (8.1 %), mainly in line with volume growth. Sales and marketing expenses increased by 71m euro (3.7 %), as the company continues to improve expenditure allocation towards initiatives that drive sustainable top line growth, while reducing all non-working commercial expenses. Administrative expenses were 76m euro higher (8.0 %), mainly due to higher bonus accruals, several projects to support continued business growth, as well as severance payments. The increased accruals for bonuses partly result from a lower comparable for 2005, as for that year no bonus was paid in Western Europe, and a very limited bonus was paid in North America. Additionally, higher bonus accruals were the result of an increase in the number of people in the new compensation system. In line with the company's results-driven culture, bonuses are only paid upon achievement of pre-defined targets.

Other operating income/expenses improved by 6m euro in 2006 when compared to 2005.

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

Normalized EBITDA for the full year was 4 239m euro, representing an organic increase of 16.8 % (up 559m euro).

- North America realized an EBITDA of 551m euro (+9.2 %/up +43m euro), resulting from an improved top line performance and continued sound cost management
- Latin America EBITDA ended up at 2 152m euro (+20.8 %/up +328m euro) as most of the good volume and revenue performance dropped to the bottom line due to cost control
- Western Europe EBITDA was 834m euro (+13.6 %/up +100m euro) achieved primarily through a better revenue per hl and very good cost control; ZBB savings of 118m euro were captured for the full year
- Central & Eastern Europe had an EBITDA of 398m euro (+22.9 %/up +70m euro), driven by strong top line growth and targeted investments to generate continued growth
- Asia Pacific generated 241m euro of EBITDA (-9.7 %/down -20m euro), impacted by volume growth, at a less favorable geographic mix, and other operating income recorded in the fourth quarter of 2005 which did not reoccur in the fourth quarter of 2006
- Global Export and Holding Companies EBITDA was 63m euro (149.2 %/up +38m euro), mainly due to lower corporate project costs and increased royalty fees, partly offset by higher expenses, mainly severance payments and higher bonus accruals

These results led to a consolidated EBITDA margin of 31.9 % in 2006, compared to 28.6 % in 2005. This represents an expansion of 320 basis points, of which +239 basis points were organic (i.e. excluding the impact of acquisitions and divestitures, as well as the positive impact of changes in currencies on translation of foreign operations). The positive currency translation impact amounted to +238m euro for 2006 (2005: +285m euro).

Profit

Normalized profit attributable to equity holders of InBev was 1 522m euro (normalized EPS 2.50 euro) in 2006. Reported profit for the full year was 2 126m euro, and included the following:

- *Net financing costs*: 473m euro. The net financing cost increased by 22m euro. This increase is driven by the negative currency translation impact of 28m euro and the full consolidation of Quinsa (5m euro). Excluding the impact from currency translation and the full consolidation of Quinsa, interest expense was higher by 28m euro while foreign currency gains were lower by 31m euro. These variances were partly offset by better results from hedging and other financial income/costs for a total amount of 70m euro
- *Income tax expense*: 531m euro (effective tax rate of 20.0 % for 2006 vs. 21.8 % in 2005). The decrease in the 2006 effective tax rate is explained by the higher profit contribution at a more favorable tax rate versus 2005 from AmBev. This is the result of the interest on equity benefit on the one hand, and the effect of the goodwill tax deduction from the merger between InBev Holding Brasil and AmBev, as announced in July 2005, on the other hand
- *Profit attributable to minority interests*: 715m euro (2005: 498m euro)

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 increase in the (normalized) ROIC between 2005 and 2006 is explained by strong operational results in 2006 with a lower increase in invested capital, mainly in Latin America. The 2006 (normalized) ROIC was also positively affected by the appreciation of the average exchange rate of the Brazilian real in 2006 versus 2005.

Non-recurring items

Execution biggest to best strategy

The 2006 execution of InBev's Biggest to Best strategy resulted in a net non-recurring charge to profit from operations of 139m euro as at 31 December 2006. This charge relates primarily to organizational alignments in Western Europe, North America, China and at the global headquarters, and to the creation of European and American shared service centers for transactional services.

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 sale of the Rolling Rock® family of brands, Dinkelacker and Wolters, resulted in a non recurring charge to profit from operations of 19m euro.

Further, profit from operations as at 31 December 2006 was positively affected by a net reversal of provisions for disputes of 64m euro.

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

EBITDA	2006	2005
Normalized EBITDA	4 239	3 339
Restructuring	(139)	(223)
Business disposal	59	16
Disputes	64	-
	4 223	3 132

Profit from operations	2006	2005
Normalized profit from operations (EBIT)	3 223	2 439
Restructuring (including impairment losses)	(139)	(257)
Business disposal	(19)	16
Disputes	64	-
	3 129	2 198

Profit attributable to equity holders of InBev	2006	2005
Normalized profit attributable to equity holders of InBev	1 522	1 024
Restructuring (including impairment losses)	(119)	(136)
Business disposal	(25)	16
Disputes	33	-
	1 411	904

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 2 405m euro in 2005 to 3 287m euro in 2006, or 36.7 %. This improvement was the result of higher profit and better working capital management, partly offset by a decrease in provisions. InBev is stepping up efforts to further improve cash flow management.

The evolution of the cash used in investment activities from (2 584)m euro in 2005 to (3 481)m euro in 2006 is mainly explained by the acquisition of the Fujian Brewery (605m euro) and the acquisitions of all BAC's (Beverage Associates Corp.) remaining shares in Quinsa (924m euro). This evolution is compensated by a strong decrease in the purchase of minority interests when compared to previous period.

The cash flow from our financing activities changed from (184)m euro in 2005 to 208m euro in 2006, explained by the movements in proceeds and repayments of borrowings.

Capital expenditures and acquisitions

We spent 1 218m euro in 2006 and 1 077m euro in 2005 on acquiring capital assets. In 2006, out of the total capital expenditures, approximately 63 % was used to improve our production facilities while 26 % was used for logistics and commercial investments. Approximately 11 % was used for improving administrative capabilities and purchase of hardware and software.

On acquiring businesses, we spent 2 271m euro in 2006 and 1 716m euro in 2005. As already mentioned above, our principal acquisitions of subsidiaries in 2006 relate to Fujian Sedrin Brewery and Quinsa.

Capital resources and equity

InBev's net financial debt increased to 5 563m euro as of December 2006, from 4 867m euro as of December 2005. Apart from operating results net of capital expenditures, the increase in net debt is primarily the result of the financing of the acquisition of all of BAC's remaining shares in Quinsa (924m euro) and of the Fujian Sedrin acquisition (605m euro); the InBev and AmBev share buy-back programs (656m euro); additional purchases of shares in Oriental Brewery (28m euro) and InBev Germany Holding GmbH (68m euro); and dividend payments (617m euro), partly offset by the impact of changes in foreign exchange rates (250m euro).

Consolidated equity attributable to equity holders of InBev as at 31 December 2006 was 12 262m euro, compared to 11 471m euro at the end of 2005. In line with the weakening of mainly the closing rates of the Brazilian real, the Canadian dollar and the US dollar a foreign exchange translation adjustment of (353)m euro was booked. Further details on equity movements can be found in note 21 *Changes in equity* to the consolidated financial statements.

As a result of share buy-back programs of 2006 InBev acquired 1.5m InBev shares for an amount of 59m euro and AmBev acquired 1 858m AmBev shares for an amount of 597m euro.

Research & development

In 2006, we invested 17m euro in research and development compared to 18m euro in 2005. 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 28 *Financial instruments – market and other risks* 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 31 *Contingencies* of the consolidated financial statements.

Independent auditors' report



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STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF INBEV NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

In accordance with the legal requirements, we report to you on the performance of the mandate of statutory auditor, which has been entrusted to us. This report contains our opinion on the true and fair view of the consolidated financial statements as well as the required additional statements.

Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements for the year ended 31 December 2006, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a balance sheet total of EUR (million) 26 246 and a profit for the year of EUR (million) 2 126.

Management is responsible for the preparation and the fair presentation of these consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting principles and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as issued by the International Federation of Accountants, the legal requirements and the Auditing Standards applicable in Belgium, as issued by the Institute of Registered Auditors (*Institut des Réviseurs d'Entreprises / Instituut der Bedrijfsrevisoren*). Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement, whether due to fraud or error.

In accordance with the above-mentioned auditing standards, we considered the group's accounting system, as well as its internal control procedures in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on their effectiveness. We have obtained from management and the company's officials, the explanations and information necessary for executing our audit procedures. We have examined, on a test basis, the evidence supporting the amounts included in the consolidated financial statements. We have assessed the appropriateness of the accounting principles and consolidation principles, the reasonableness of the significant accounting estimates made by the company, as well as the overall presentation of the consolidated financial statements. We believe that these procedures provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements for the year ended 31 December 2006 give a true and fair view of the group's assets and liabilities, its financial position and the results of its operations and cash flows in accordance with International Financial Reporting Standards as adopted by the European Union.



*Statutory Auditor's Report to the General Meeting of Shareholders
of InBev NV on the consolidated financial statements
for the year ended December 31, 2006*

The financial statements of certain consolidated companies, which statements reflect total assets (excluding goodwill) of EUR (million) 5 782 and total profit of EUR (million) 1 403 in the consolidated financial statements were audited by other auditors whose reports have been furnished to us, and our opinion is based on the reports of the other auditors.

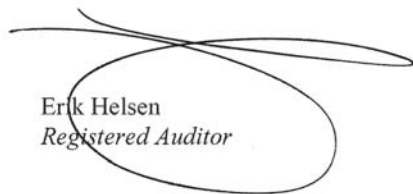
Additional statements

The preparation of the consolidated Director's report and its content are the responsibility of management. Our responsibility is to supplement our report with the following additional statements which do not modify our audit opinion on the consolidated financial statements:

The consolidated Director's report includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the consolidated group is facing, and of its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 28 February 2007

BCV Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren – Réviseurs d'Entreprises
Statutory auditor
represented by



Erik Helsen
Registered Auditor

Consolidated financial statements

Consolidated income statement

For the year ended 31 December Million euro	Notes	2006	2005
Revenue		13 308	11 656
Cost of sales		(5 477)	(5 082)
Gross profit		7 831	6 574
Distribution expenses		(1 551)	(1 362)
Sales and marketing expenses		(2 115)	(1 948)
Administrative expenses		(1 075)	(957)
Other operating income/(expenses)	6	133	132
Profit from operations before non-recurring items		3 223	2 439
Restructuring (including impairment losses)	7	(139)	(257)
Business disposal	7	(19)	16
Disputes	7	64	-
Profit from operations		3 129	2 198
Finance costs	10	(639)	(680)
Finance income	10	166	229
Finance costs – net		(473)	(451)
Gain on sale of investment securities (non-recurring financial income)	7	-	47
Share of result of associates		1	(1)
Profit before tax		2 657	1 793
Income tax expense	11	(531)	(391)
Profit		2 126	1 402
Attributable to:			
Equity holders of InBev		1 411	904
Minority interests		715	498
Weighted average number of ordinary shares (million shares)		608	600
Diluted weighted average number of ordinary shares (million shares)		613	603
Year-end number of ordinary shares, net of treasury shares (million shares)		612	608
Basic earnings per share		2.32	1.51
Diluted earnings per share		2.30	1.50
Earnings per share before goodwill impairment and non-recurring items		2.50	1.71
Diluted earnings per share before goodwill impairment and non-recurring items		2.48	1.70
Earnings per share before goodwill impairment		2.38	1.51

Consolidated statement of recognized gains and losses

For the year ended 31 December Million euro	2006	2005
Exchange differences on translation of foreign operations (gains)/(losses)	(378)	1 734
Full recognition of actuarial gains and (losses)	21	(114)
Cash flow hedges	73	9
Net result recognized directly in equity	(284)	1 629
Profit	2 126	1 402
Total recognized gains and losses	1 842	3 031
Attributable to:		
Equity holders of InBev	1 139	2 433
Minority interests	703	598

Consolidated balance sheet

As at 31 December Million euro	Notes	2006	2005
Assets			
Non-current assets			
Property, plant and equipment	12	6 301	5 997
Goodwill	13	12 305	11 108
Intangible assets	14	1 265	540
Investments in associates		13	6
Investment securities	15	40	38
Deferred tax assets	16	857	930
Employee benefits	24	6	20
Trade and other receivables	18	695	659
		21 482	19 298
Current assets			
Investment securities	15	223	175
Inventories	17	1 017	929
Income tax receivable		213	123
Trade and other receivables	18	2 571	2 356
Cash and cash equivalents	19	626	613
Assets held for sale	20	114	67
		4 764	4 263
Total assets		26 246	23 561
Equity and Liabilities			
Equity			
Issued capital	21	473	470
Share premium	21	7 412	7 334
Reserves	21	715	969
Retained earnings	21	3 662	2 698
Equity attributable to equity holders of InBev		12 262	11 471
Minority interests	21	880	379
		13 142	11 850
Non-current liabilities			
Interest-bearing loans and borrowings	23	5 146	4 466
Employee benefits	24	753	935
Deferred tax liabilities	16	637	274
Trade and other payables	27	241	269
Provisions	26	448	578
		7 225	6 522
Current liabilities			
Bank overdrafts	19	90	61
Interest-bearing loans and borrowings	23	1 204	1 171
Income tax payable		372	278
Trade and other payables	27	3 919	3 463
Provisions	26	253	198
Liabilities held for sale	20	41	18
		5 879	5 189
Total equity and liabilities		26 246	23 561

Consolidated cash flow statement

For the year ended 31 December Million euro	2006	2005
Operating activities		
Profit	2 126	1 402
Depreciation	934	829
Amortization of intangible assets	78	59
Impairment losses	81	48
Write-offs on receivables	31	12
Net financing costs	473	451
Loss/(gain) on sale of property, plant and equipment	(28)	(13)
Loss/(gain) on sale of intangible assets	(66)	-
Equity-settled share-based payment expense	49	59
Income tax expense	531	391
Other non-cash items included in profit	23	28
Share of result of associates	(1)	1
Cash flow from operating activities before changes in working capital and provisions	4 231	3 267
Decrease/(increase) in trade and other receivables	(307)	(159)
Decrease/(increase) in inventories	1	18
Increase/(decrease) in trade and other payables	437	(14)
Increase/(decrease) in provisions	(266)	82
Cash generated from operations	4 096	3 194
Interest paid	(452)	(514)
Interest received	55	92
Dividends received	1	4
Income tax paid	(413)	(371)
Cash flow from operating activities	3 287	2 405
Investing activities		
Proceeds from sale of property, plant and equipment	93	97
Proceeds from sale of intangible assets	69	7
Proceeds from assets held for sale	14	-
Proceeds from sale of investment securities	16	172
Repayments of loans granted	12	42
Sale of subsidiaries, net of cash disposed of	3	73
Acquisition of subsidiaries, net of cash acquired	(1 531)	(136)
Purchase of minority interests	(740)	(1 580)
Acquisition of property, plant and equipment	(1 266)	(1 037)
Acquisition of intangible assets	(114)	(144)
Acquisition of investment securities	(16)	(64)
Payments of loans granted	(21)	(14)
Cash Flow from Investing Activities	(3 481)	(2 584)
Financing activities		
Proceeds from the issue of share capital	82	56
Purchase of treasury shares	(59)	(109)
Reimbursement of capital	-	(10)
Proceeds from borrowings	6 429	7 169
Repayment of borrowings	(5 549)	(6 646)
Cash net financing costs other than interests	(75)	(71)
Payment of finance lease liabilities	(3)	(5)
Dividends paid	(617)	(568)
Cash flow from financing activities	208	(184)
Net increase/(decrease) in cash and cash equivalents	14	(363)
Cash and cash equivalents less bank overdrafts at beginning of year	552	876
Effect of exchange rate fluctuations	(30)	39
Cash and cash equivalents less bank overdrafts at end of year	536	552

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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 86 000 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 2006 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 28 February 2007.

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 2006. InBev did not apply any European carve-outs from IFRS meaning that our financials fully comply with IFRS. With the exception of IFRS 7 *Financial Instruments: Disclosures* and the complementary amendment to IAS 1 *Presentation of Financial Statements—Capital Disclosures*. (published in August 2005 – see note *Summary of significant accounting policies* below), InBev has not applied early any new IFRS requirements that are not yet effective in 2006. Certain 2005 amounts have been reclassified to conform to the 2006 presentation.

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 half of the voting rights or otherwise has control, directly or indirectly, over the operations so as to obtain benefits from the companies' activities. In assessing control, potential voting rights that presently are exercisable are taken into account. 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 *InBev companies*.

(C) Summary of changes in accounting policies

The accounting policies applied are consistent with those of the previous financial year except for the early adoption of IFRS 7 *Financial Instruments: Disclosures* and the complementary amendment to IAS 1 *Presentation of Financial Statements—Capital Disclosures*. IFRS 7 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 decided to apply them already in the 2006 annual financial statements as part of our 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. The notes below have been amended to reflect the adoption of IFRS 7.

(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. In 2006 and 2005, InBev had no operations in hyperinflationary economies.

Exchange rates

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

1 euro equals	Closing rate		Average rate	
	2006	2005	2006	2005
Argentinean peso	4.042527	3.571543	3.842754	3.656615
Brazilian real	2.815751	2.761317	2.736308	3.027725
Bulgarian lev	1.955799	1.956300	1.955818	1.955833
Canadian dollar	1.528101	1.372501	1.415953	1.516470
Chinese yuan	10.279288	9.520455	10.058035	10.249997
Croatian kuna	7.345056	7.375610	7.301935	7.416637
Hungarian forint	251.762336	252.844501	265.463233	247.954376
Pound sterling	0.671500	0.685300	0.682320	0.684589
Russian ruble	34.696922	34.184528	34.094783	35.410765
Serbian dinar	79.001422	85.499316	84.530854	82.583203
South Korean won	1 225.490196	1 184.834123	1 199.040767	1 282.051282
Ukrainian hryvnia	6.650838	5.971611	6.328954	6.415027
US dollar	1.317001	1.179700	1.254287	1.250607

(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, future economic benefits are probable and the company has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labor and an appropriate proportion of overheads. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized development expenditure is stated at cost less accumulated amortization (see below) and impairment losses (refer 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. Licenses, brewing, supply and distribution rights are amortized over the period in which the rights exist. Brands are considered to have an indefinite life unless plans exist to discontinue the brand. Discontinuance of a brand can be either through sale or termination of marketing support. When 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. Business combinations entered into before 31 March 2004 were accounted for in accordance with the old IAS 22 *Business Combinations* standard. This means that acquired intangibles such as brands were subsumed under goodwill for those transactions. When InBev acquires minority interests any difference between the cost of acquisition and the minority interest's share of net assets acquired is taken to goodwill.

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

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.

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 the income statement as required by IFRS 3.

Expenditure on internally generated goodwill is expensed as incurred.

(G) Property, plant and equipment

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 and the costs of dismantling and removing the items and restoring the site on which they are located, if applicable). 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

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

The estimated useful lives are as follows:

Estimated useful lives	
Industrial buildings	20 years
Other real estate properties	33 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

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.

(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 cash flow statement, 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 unquoted debt securities is calculated as the present value of expected future cash flows, discounted at the debt securities' original effective interest rate. For equity and quoted debt securities the recoverable amount is their fair value.

The recoverable amount of other assets is determined as the higher of their fair value less costs to sell and value in use. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. 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 losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

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. Such provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(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.

Termination benefits

Termination benefits are recognized as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognized if the company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

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 and share option programs allow company senior management and members of the board to acquire shares of the company and some of its affiliates. InBev adopted IFRS 2 *Share-based Payment* on 1 January 2005 to all awards granted after 7 November 2002 that had not yet vested at 1 January 2005. The fair value of the share options is estimated at grant date, using an option pricing model that is most appropriate for the respective option. Based on the expected number of options that will vest, the fair value of the options granted is expensed over the vesting period. When the options are exercised, equity is increased by the amount of the proceeds received.

(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 initial recognition of goodwill, ii) at the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit and iii) on differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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, and there is no continuing management involvement with the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Rental and royalty income

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

Government grants

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

Finance income

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

Finance costs

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

All interest and other costs incurred in connection with borrowings or financial transactions are expensed as incurred as part of finance costs. 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, the foreign currency risk of a firm commitment or a highly probable forecasted transaction, the effective part of any resulting gain or loss on the derivative financial instrument is recognized directly in equity (hedging reserves). When the firm commitment in foreign currency or the forecasted transaction results in the recognition of a non financial asset or a non financial liability, the cumulative gain or loss is removed from 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, 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 non-beer business exceeded the 10% threshold for revenue from sales to external customers. Therefore, the non-beer activities are reported as a secondary segment since 2005. The non-beer segment consists of InBev owned non-beer 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 8 Operating segments

In November 2006 the IASB issued International Financial Reporting Standard (IFRS) 8 *Operating Segments*. IFRS 8 replaces IAS 14 *Segment Reporting* and aligns segment reporting with US generally accepted accounting principles (GAAP). This development is part of the IASB's short-term convergence project with the US Financial Accounting Standards Board (FASB) to reduce differences between IFRS and US GAAP. IFRS 8 needs to be applied for the first time in the 2009 annual financial statements. InBev does not plan to apply IFRS 8 early. The new standard requires InBev to adopt a 'management approach' to reporting on the financial performance of our segments. We do not expect that IFRS 8 will trigger a material change to our current segment reporting.

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	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Volume	14	15	117	104	39	41	43	38	31	24	2	2	247	224
Revenue	1 831	1 733	5 001	3 947	3 646	3 669	1 820	1 468	912	748	99	91	13 308	11 656
Cost of goods sold	(680)	(670)	(1 804)	(1 536)	(1 619)	(1 678)	(840)	(737)	(467)	(379)	(67)	(82)	(5 477)	(5 082)
Distribution expenses	(270)	(256)	(556)	(440)	(416)	(418)	(242)	(187)	(66)	(61)	(1)	-	(1 551)	(1 362)
Sales and marketing expenses	(311)	(309)	(530)	(446)	(720)	(740)	(312)	(243)	(174)	(144)	(68)	(66)	(2 115)	(1 948)
Administrative expenses	(104)	(97)	(324)	(251)	(263)	(290)	(140)	(107)	(54)	(49)	(191)	(163)	(1 075)	(957)
Other operating income/ (expenses)	(6)	(12)	51	49	(108)	(104)	(80)	(50)	(1)	23	276	226	133	132
Normalized profit from operations (EBIT)	459	389	1 839	1 323	520	439	206	144	150	138	49	6	3 223	2 439
Restructuring	(29)	(42)	-	(1)	(95)	(144)	(2)	(15)	(7)	(18)	(7)	(37)	(139)	(257)
Business disposal	25	-	-	-	(44)	8	-	7	-	1	-	-	(19)	16
Disputes	-	-	64	-	-	-	-	-	-	-	-	-	64	-
Profit from operations (EBIT)	455	347	1 903	1 322	381	303	204	137	143	121	42	(31)	3 129	2 198
Net financing cost	(56)	(33)	(298)	(335)	(209)	(212)	(37)	(13)	(13)	(12)	140	154	(473)	(451)
Gain on sale of investment securities	-	-	-	-	-	47	-	-	-	-	-	-	-	47
Share of result of associates	1	-	-	(1)	-	-	-	-	-	-	-	-	1	(1)
Income tax expense	(145)	(134)	(202)	(171)	(74)	(19)	(40)	(20)	(33)	(30)	(38)	(17)	(531)	(391)
Profit	255	181	1 403	815	99	119	128	103	97	79	144	106	2 126	1 402
Normalized profit	258	208	1 360	815	218	171	129	110	105	91	151	143	2 220	1 538
Normalized EBITDA	551	477	2 152	1 577	834	751	398	311	241	207	63	15	4 239	3 339
EBITDA margin (normalized) in %	30.1	27.5	43.0	40.0	22.9	20.5	21.8	21.2	26.4	27.8	-	-	31.9	28.6
Segment assets	2 333	2 429	10 726	8 878	4 908	5 099	2 910	2 702	2 825	2 160	962	709	24 664	21 978
Intersegment elimination													(515)	(407)
Non-segmented assets													2 097	1 990
Total assets													26 246	23 561
Segment liabilities	736	862	1 742	1 526	2 081	2 172	502	324	389	336	585	461	6 035	5 680
Intersegment elimination													(515)	(407)
Non-segm. liabilities													20 726	18 288
Total liabilities													26 246	23 561
Gross capex	76	101	449	371	332	406	377	284	84	70	63	29	1 380	1 261
Impairment losses/ (reversals)	22	13	(1)	6	61	20	(3)	8	1	1	-	-	81	48
Depreciation & amortization	93	89	311	250	314	311	191	159	89	70	15	9	1 012	888
Additions to/(reversals of) provisions	48	13	(29)	(25)	89	124	5	(1)	(1)	5	26	-	139	116
FTE	6 337	7 096	30 178	27 305	12 122	12 534	13 356	13 730	22 925	16 032	699	669	85 617	77 366

Secondary segments

Million euro, except volume (million hl)	Beer		Non-beer		Consolidated	
	2006	2005	2006	2005	2006	2005
Volume	212	192	35	32	247	224
Revenue	12 313	10 783	995	873	13 308	11 656
Total assets	23 535	21 923	2 711	1 638	26 246	23 561
Gross capex	1 284	1 195	96	66	1 380	1 261

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	2006 Acquisitions	2006 Disposals	2005 Acquisitions	2005 Disposals
Non-current assets				
Property, plant and equipment	365	(1)	86	(61)
Intangible assets	790	-	111	(8)
Interest-bearing loans granted	-	-	1	-
Investments in associates	1	-	1	(3)
Investment securities	1	-	-	(2)
Deferred tax assets	1	-	1	-
Trade and other receivables	16	-	-	-
Current assets				
Interest-bearing loans granted	1	-	-	-
Inventories	48	-	6	(9)
Income tax receivable	-	-	1	-
Trade and other receivables	30	(1)	19	(18)
Cash and cash equivalents	82	(6)	2	(3)
Assets held for sale	37	(29)	-	-
Minority interests	(1)	2	-	-
Non-current liabilities				
Interest-bearing loans and borrowings	(88)	-	(5)	2
Employee benefits	(8)	-	-	3
Provisions	(9)	-	(1)	-
Deferred tax liabilities	(297)	-	(27)	11
Current liabilities				
Interest-bearing loans and borrowings	(43)	-	(44)	3
Income tax payable	(35)	-	-	1
Trade and other payables	(140)	1	(73)	38
Provisions	-	-	(1)	5
Liabilities held for sale	-	18	-	-
Net identifiable assets and liabilities	751	(16)	77	(41)
Goodwill on acquisition	862	-	141	(38)
Adjustment arising from subsequent identification or changes in fair value of identifiable assets and (contingent) liabilities	-	-	(78)	-
Decrease of minority shareholdings	-	-	-	19
Loss/(gain) on disposal	-	8	-	(16)
Part of acquisitions paid in the previous year	-	-	(2)	-
Consideration paid/(received), satisfied in cash	1 613	(8)	138	(76)
Cash (acquired)/disposed of	(82)	5	(2)	3
Net cash outflow/(inflow)	1 531	(3)	136	(73)

The following major transactions took place:

- On 23 January 2006 InBev announced that it reached agreement with various parties to acquire, in a series of transactions, 100% of the shares in Fujian Sedrin Brewery Co. Ltd. ("Sedrin"), the largest brewer in Fujian province of China, for a total cash consideration of 5 886m RMB. The acquisition was completed on 8 June 2006. The total RMB purchase price of 5 886m was settled in US dollar for an equivalent euro amount of 621 million. Costs directly attributable to the combination represent 5m euro. The amounts recognized at the acquisition date for each class of Sedrin's assets, liabilities and contingent liabilities are included in the column '2006 Acquisitions' of the above table. The Sedrin goodwill of 473m euro is justified by i) the fact that Sedrin is one of the most profitable brewers in China (in recent years EBITDA margin was in excess of 30%), ii) cost and revenue synergies, iii) a high caliber management team and iv) an excellent distribution network. The Sedrin transaction consolidates InBev stronghold in wealthy Southeast China. Combined with InBev's existing operations in China, this transaction positions InBev as one of the largest brewers in China.

Sedrin contributed 30m euro to the 2006 profit of InBev. If the acquisition date had been 1 January 2006 it was estimated that InBev's revenue and profit would have been higher by approximately 62m and 6m euro, respectively.

- On 8 August 2006 InBev (through AmBev) acquired all of Beverage Associates Corp. ("BAC") remaining shares in Quinsa for a total purchase price of 986m euro. As a result, AmBev's ownership interest in Quinsa increased from 56.72% to 91.18%. Costs directly attributable to the acquisition were less than 1m euro.

In 2004, InBev acquired its initial 50.64% interest in Quinsa as part of the Interbrew – AmBev combination. Since the control of Quinsa was joint with BAC the Quinsa investment was proportionally consolidated until July 2006. A further 6.08% interest was built up during the period September 2004 to December 2005 via share buy-backs of Quinsa.

In accordance with the IFRS 3 *Business Combinations* requirements for business combinations achieved in stages, value increases in the net assets of the acquiree need to be reported as increases in retained earnings to the extent of the ownership interest already held before the combination (i.e. 56.72% in the case of Quinsa). When InBev obtained control over AmBev in 2004 this transaction was accounted for in accordance with IAS 22 *Business Combinations*. This standard was superseded in 2005 by IFRS 3.

The main difference in the application of the old and new business combinations standard is that the brands and distribution rights of Quinsa were not recognized in 2004. If we would strictly apply the IFRS 3 rules for business combinations achieved in stages, goodwill on the Quinsa 2006 transaction would amount to 704m euro. This amount does not take into account the fact that InBev already owned 50.64% of the Quinsa brands and distribution rights, which we believe is not faithfully representative. Therefore, goodwill and retained earnings were not increased for the 50.64% of Quinsa's brands and distribution rights already owned, net of deferred taxes, amounting to 210m euro.

During 2006 the company also performed purchase accounting on the 6.08% interest built up during the period September 2004 to December 2005. This resulted in a goodwill reduction of 50m euro. Finally, the 2006 purchase accounting triggered the derecognition of previously proportionally consolidated local goodwill for an amount of 80m euro.

The amounts recognized at the acquisition date for each class of Quinsa's assets, liabilities and contingent liabilities are included in the column '2006 Acquisitions' of the above table.

The 34.46% increase resulted in an increase of InBev's 2006 profit by 28m euro. If the acquisition date had been 1 January 2006, InBev's revenue and profit would have been higher by 195m euro and 37m euro, respectively.

At 31 December 2006 the total Quinsa goodwill amounts to 714m euro, justified by the strong position and performance of Quinsa in Argentina, Bolivia, Uruguay and Paraguay.

In January 2007 InBev announced its voluntary offer to purchase the remaining outstanding 8.82% interest in Quinsa at the same USD price per share as paid to BAC. Based on the August 2006 USD/euro exchange rate the purchase price for the total 8.82% remaining interest would amount to 252m euro, resulting in an additional goodwill of 180m euro. This 2007 transaction has not been reflected in the 2006 financial statements.

- 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 contributions to the InBev profit. Goodwill recognized on these transactions amounted to 23m euro.

6. Other operating income/(expenses)

Million euro	2006	2005
Government grants	88	48
(Additions to)/reversals of provisions	(41)	39
Net gain/(loss) on disposal of property, plant and equipment and intangible assets	28	13
Net rent income	21	24
Net other operating income	37	8
	133	132
Research and development expenses as incurred	17	18

The government grants relate primarily to fiscal incentives given by certain Brazilian states based on the company's operations and investments in those states. The increase as compared to 2005 is explained by increased activities in those states.

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	2006	2005
Profit from operations before non-recurring items	3 223	2 439
Restructuring (including impairment losses)	(139)	(257)
Business disposal	(19)	16
Disputes	64	-
Profit from operations	3 129	2 198
Gain on sale of investment securities	-	47

The 2006 non-recurring restructuring charges of 139m euro relate primarily to the realignment of the structures and processes in Western Europe, North America, China and at the global headquarters, and to the creation of European and American shared service centers for transactional services. These 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 sale of the Rolling Rock® family of brands, Dinkelacker and Wolters, resulted in a net business disposal loss of 19m euro.

Non-recurring items in 2006 also include a net reversal of provisions for claims of 64m euro. This relates primarily to the reversal of a provision for non-income taxes in AmBev offset by the settlement of a dispute between AmBev and Credit Suisse.

The 2005 non-recurring restructuring and impairment charges of respectively 223m euro and 34m euro were primarily triggered by restructuring activities in Western Europe, South Korea, Serbia and at the global headquarters. They 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.

Finally InBev's sale in 2005 of its minority stake in the Spanish brewer Damm S.A. resulted in a non-recurring gain on sale of investment securities of 47m euro.

All the above amounts are before income taxes. The 2006 and 2005 non-recurring items decreased income taxes by respectively 0m and 58m euro. The low deferred tax asset in 2006 is mainly explained by the non deductibility of the loss on the Dinkelacker disposal.

8. Payroll and related benefits

Million euro	2006	2005
Wages and salaries	(1 416)	(1 305)
Social security contributions	(325)	(277)
Other personnel cost	(213)	(174)
Pension expense for defined benefit plans	(66)	(92)
Share-based payment expense	(49)	(59)
Contributions to defined contribution plans	(6)	(4)
	(2 075)	(1 911)
Average number of full time equivalents (FTE)	85 617	77 366

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

	2006	2005
InBev NV (parent company)	345	335
Subsidiaries	83 466	71 022
Proportionally consolidated entities	1 806	6 009
	85 617	77 366

The decrease of the average number of full time equivalents at proportionally consolidated entities is mainly explained by the change in consolidation method for Quinsa from proportionate consolidation in 2005 to full consolidation in 2006. Further, FTE's at subsidiaries increased due to the acquisition of Fujian Sedrin.

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 2006 income statement:

Million euro	Depreciation and impairment of property, plant and equipment	Amortization and impairment of intangible assets	Impairment of goodwill
Cost of sales	653	4	-
Distribution expenses	45	1	-
Sales and marketing expenses	154	43	-
Administrative expenses	82	30	-
Non-recurring items	44	-	37
	978	78	37

10. Finance costs and income

Finance costs

Million euro	2006	2005
Interest expense	(492)	(431)
Accretion expense	(24)	(18)
Losses on hedging instruments that are not part of a hedge accounting relationship	(40)	(125)
Losses on non-derivative financial instruments at fair value through profit or loss	-	(15)
Taxes on financial transactions	(46)	(45)
Other financial costs, including bank fees	(37)	(46)
	(639)	(680)

The increase in interest expense by 61m euro as compared to 2005 is for 28m euro explained by the negative currency translation effect of the Brazilian real and Canadian dollar for which the average exchange rate strengthened by respectively 9.6% and 6.6% in comparison to the euro (see also note 3 (D) *Foreign currencies*) as compared to last year. The potential currency translation impact of changes in exchange rates of the currencies of InBev's main foreign operations against the euro is disclosed in note 28 *Financial instruments – market and other risks*. Excluding the effect of currency translation and the full consolidation of Quinsa (5m euro), the 28m euro increase in interest expense is the combined effect of an increase in net debt by 696m euro and lower interest rates. The latter relates primarily to Brazil and is explained by a drop in the market interest rate (CDI) as well as better financing conditions for new loans.

Interest expense is presented net of the effect of interest rate derivative instruments hedging InBev's interest rate risk – see also note 28 *Financial instruments – market and other risks*. As required by IFRS 7 *Financial Instruments: Disclosures* the interest expense recognized on unhedged and hedged financial liabilities and the net interest expense from the related hedging derivative instruments is split as follows:

Million euro	2006 ¹
Financial liabilities measured at amortized costs – not hedged	(211)
Fair value hedges – hedged items	(75)
Fair value hedges – hedging instruments	(31)
Cash flow hedges – hedged items	(69)
Cash flow hedges – hedging instruments (reclassified from equity)	(4)
Hedged items not part of hedge accounting relationship – economic hedges	(42)
Hedging instruments not part of a hedge accounting relationship – economic hedges	(60)
	(492)

Interest expense recognized on fair value hedged debt and hedging instruments mainly relates to the hedging of the 730m US dollar portion of our Private Placements and the 500m US dollar AmBev bond maturing in 2011. Interest expense in relation to cash flow hedges is mainly related to the hedging of the 1 515m euro credit facility and of the 600m Canadian borrowings. Interest expense recognized on hedged items and hedging instruments not part of a hedge accounting relationship concerns the hedging of the 500m US dollar AmBev bond maturing in 2013 for which InBev did not meet the strict hedge accounting rules during 2006 (see also note 28 *Financial instruments – market and other risks*).

The decrease in losses on hedging instruments not part of a hedge accounting relationship by 85m euro as compared to last year is the combined effect of i) the adoption of hedge accounting for part of our bonds since December 2005 and ii) better results on economic hedges for which hedge accounting is not applied because the strict IAS 39 *Financial Instruments: Recognition and Measurement* hedge accounting rules were not met.

Finance income

Million euro	2006	2005
Interest income	61	48
Dividend income, non-consolidated companies	1	4
Foreign exchange gains	-	31
Gains on hedging instruments that are not part of a hedge accounting relationship	67	119
Gains from hedge ineffectiveness	2	-
Gains on sale of available-for-sale financial assets	6	4
Gains on non-derivative financial instruments at fair value through profit or loss	2	2
Other financial income	27	21
	166	229

The decrease in foreign exchange gains by 31m euro and the decrease in gains on hedging instruments not part of a hedge accounting relationship by 52m euro as compared to last year is the combined effect of i) the adoption of hedge accounting for part of our bonds since December 2005, ii) better results on economic hedges for which hedge accounting was not applied and iii) lower foreign exchange gains as compared to 2005. The latter relates to open positions in Ukraine, Russia, Serbia and Montenegro for which no hedging was performed either last year or this year mainly because the illiquidity of the local foreign exchange market prevents us from hedging at a reasonable cost.

¹ In accordance with the transitional rules of IFRS 7 *Financial Instruments: Disclosures* early adopters of IFRS 7 are not required to disclose comparative 2005 data.

The 2006 interest income stems from the following financial assets:

Million euro	2006 ¹
Cash and cash equivalents	30
Investment securities held for trading	19
Loans to customers	10
Other loans and receivables	2
	61

No interest income was recognized on impaired financial assets.

Foreign exchange gains and losses are presented net of the effect of foreign exchange derivative instruments designated for hedge accounting. As required by IFRS 7 *Financial Instruments: Disclosures* the split between results from foreign currency hedged items and results on the related hedging instruments can be summarized per type of hedging relationship as follows:

Million euro	2006 ¹
Fair value hedges – hedged items	107
Fair value hedges – hedging instruments	(107)
Cash flow hedges – hedged items	(8)
Cash flow hedges – hedging instruments (reclassified from equity)	8
Hedged items not part of hedge accounting relationship – economic hedges	55
Hedging instruments not part of hedge accounting relationship – economic hedges	(57)
Other	2
	-

Foreign exchange results from fair value hedges mainly relate to the private placements and AmBev bond 2011 hedges. The results with regard to cash flow hedges primarily relate to the hedge of a Brazilian real loan in Canada. The results from the revaluation of hedged items and hedging instruments not part of a hedge accounting relationship concerns the AmBev bond 2013 hedges (see also note 28 *Financial instruments – market and other risks*).

11. Income taxes

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

Million euro	2006	2005
Current tax expense		
Current year	(410)	(363)
Overprovided in prior years	15	23
	(395)	(340)
Deferred tax (expense)/income		
Overprovided in previous years	3	8
Origination and reversal of temporary differences	(40)	183
Utilization of deferred tax assets on prior years' losses	(113)	(265)
Origination of deferred tax assets on current year's losses	14	23
	(136)	(51)
Total income tax expense in the income statement	(531)	(391)

¹ In accordance with the transitional rules of IFRS 7 *Financial Instruments: Disclosures* early adopters of IFRS 7 are not required to disclose comparative 2005 data.

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

Million euro	2006	2005
Profit before tax	2 657	1 793
Deduct share of result of associates	(1)	1
Profit before tax and before share of result of associates	2 656	1 794
Adjustments on taxable basis		
Non-deductible impairment of goodwill and intangible assets	35	-
Expenses not deductible for tax purposes	192	284
Non-taxable dividends from investments	(2)	(2)
Non-taxable financial and other income	(125)	(199)
	2 756	1 877
Aggregated weighted nominal tax rate	32.7%	32.6%
Tax at aggregated weighted nominal tax rate	(901)	(612)
Adjustments on tax expense		
Utilization of tax losses not previously recognized	7	10
Recognition of deferred tax assets on previous years' tax losses	6	-
Write-down of deferred tax assets on tax losses and current year losses for which no deferred tax asset is recognized	(51)	(72)
Overprovided in prior years	18	31
Tax savings from tax credits	409	215
Tax savings from special tax status	85	56
Change in tax rate	1	3
Withholding taxes	(93)	(30)
Other tax adjustments	(12)	8
	(531)	(391)
Effective tax rate	20.0%	21.8%

The total income tax expense amounts to 531m euro in 2006 or 20.0% of the profit before taxes and before share of result of associates, compared to 391m euro in 2005, or 21.8%. Excluding non-recurring items, the 2006 effective tax rate is 19.3% (2005: 22.6%).

The decrease in non-deductible expenses from 284m euro in 2005 to 192m euro in 2006 is primarily explained by lower intercompany transactions which were taxed last year while eliminated in the InBev consolidated financials. The decrease in non-taxable financial and other income from 199m euro to 125m euro is mainly the result of lower financial income that is not subject to income taxes.

The strong increase in tax savings from tax credits from 215m euro in 2005 to 409m euro in 2006 is mainly explained by the AmBev goodwill tax deduction from the merger between InBev Holding Brasil and AmBev as announced in July 2005 and higher interest on equity payment at AmBev level.

The higher withholding taxes are primarily related to higher 2006 profits for which withholding taxes are due upon distribution to the parent companies.

Income taxes were directly recognized in equity as follows:

Million euro	2006	2005
Income tax (losses)/gains		
Recognition of actuarial gains and losses	(7)	32
Cash flow hedges	(11)	-

12. Property, plant and equipment

Million euro	2006					2005
	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total	Total
Acquisition cost						
Balance at end of previous year	3 227	8 398	2 215	401	14 241	12 271
Effect of movements in foreign exchange	(88)	(267)	(37)	(12)	(404)	1 418
Change in interest percentage for proportionally consolidated entities	10	28	7	-	45	-
Acquisitions	68	416	180	604	1 268	1 036
Acquisitions through business combinations	25	(87)	(96)	(6)	(164)	106
Disposals	(75)	(235)	(70)	(2)	(382)	(306)
Disposals through the sale of subsidiaries	-	-	(1)	-	(1)	(108)
Transfer to other asset categories	(85)	147	82	(446)	(302)	(137)
Other movements	-	(5)	(1)	(9)	(15)	(39)
Balance at end of year	3 082	8 395	2 279	530	14 286	14 241
Depreciation and impairment losses						
Balance at end of previous year	(1 366)	(5 292)	(1 586)	-	(8 244)	(6 973)
Effect of movements in foreign exchange	31	166	25	-	222	(731)
Change in interest percentage for proportionally consolidated entities	(3)	(21)	(6)	-	(30)	-
Acquisitions through business combinations	51	367	111	-	529	(20)
Disposals	58	173	56	-	287	220
Disposals through the sale of subsidiaries	-	-	-	-	-	47
Depreciation	(115)	(588)	(231)	-	(934)	(829)
Impairment losses	(12)	(36)	4	-	(44)	(48)
Transfer to other asset categories	74	145	6	-	225	81
Other movements	-	4	-	-	4	9
Balance at end of year	(1 282)	(5 082)	(1 621)	-	(7 985)	(8 244)
Carrying amount						
at 31 December 2005	1 861	3 106	629	401	5 997	5 997
at 31 December 2006	1 800	3 313	658	530	6 301	-

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

The carrying amount of property, plant and equipment subject to restrictions on title and pledged as collateral for liabilities amounts to 180m euro and 101m euro, respectively.

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 11m euro (2005: 12m euro) and leased plant and equipment was 7m euro (2005: 7m euro).

13. Goodwill

Million euro	2006	2005
Acquisition cost		
Balance at end of previous year	11 108	8 193
Effect of movements in foreign exchange	(351)	1 633
Adoption of IFRS 3 Business Combinations	-	(732)
Acquisitions through business combinations	862	141
Purchases of minority interests	675	1 989
Other movements	48	-
Disposals	(37)	(38)
Adjustments arising from subsequent identification or changes in fair value of identifiable assets and (contingent) liabilities	-	(78)
Balance at end of year	12 305	11 108
Impairment losses		
Balance at end of previous year	-	(734)
Effect of movements in foreign exchange	-	(43)
Adoption of IFRS 3 Business Combinations	-	777
Impairment losses	(37)	-
Disposals	37	-
Balance at end of year	-	-
Carrying amount		
at 31 December 2005	11 108	11 108
at 31 December 2006	12 305	-

The major business combinations that took place in 2006 are the acquisition of 100% of the shares in Fujian Sedrin Brewery Co. Ltd and BAC's remaining shares in Quinsa – see note 5 *Acquisitions and disposals of subsidiaries*. These transactions resulted in recognition of goodwill of 473m euro and 364m euro respectively.

In 2006, InBev purchased significant minority interests in several subsidiaries for a total amount of 740m euro. These purchases resulted in an increase of goodwill by 675m 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 2006	31 December 2005
AmBev, Brazil	58.36 %	56.57 %
Oriental Brewery Co Ltd. (Korea)	100.00 %	95.08 %
InBev Germany Holding GmbH, Bremen	100.00 %	97.82 %
Interbrew Efes Brewery (Romania)	100.00 %	50.00 %

The goodwill increase by 675m euro stems from the AmBev share buy back program (631m euro) and the exercise of the Korea call option (44m 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 2007 until 2009 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 6.40 % and 13.10 % 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 2006	31 December 2005
Brazil	5 157	4 751
Canada	947	926
Russia/Ukraine	919	944
Hispanic Latin America	904	536
Germany	868	1 046
South Korea	863	848
UK/Ireland	703	689
New market development	529	393
USA	258	290
France/Italy/Spain	273	270
China	700	241
Bulgaria/Romania/Montenegro/Serbia	128	119
Belgium/Luxemburg	54	54
Other	2	1
	12 305	11 108

In accordance with the IAS 36 *Impairment of Assets* requirements goodwill is reallocated to reflect changes in InBev's reporting structure using a relative value approach.

In the fourth quarter of 2006, 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	2006			2005	
	Useful life		Advance payments	Total	Total
	Indefinite	Finite			
Acquisition cost					
Balance at end of previous year	272	594	11	877	551
Effect of movements in foreign exchange	(7)	(29)	-	(36)	49
Change in interest percentage for proportionally consolidated entities	-	5	-	5	-
Acquisitions through business combinations	711	65	-	776	34
Acquisitions and expenditures	-	79	9	88	225
Adjustments arising from subsequent identification or changes in fair value of identifiable assets and (contingent) liabilities	-	-	-	-	78
Disposals	-	(27)	-	(27)	(19)
Disposals through the sale of subsidiaries	-	-	-	-	(14)
Transfer to other asset categories	18	(50)	(18)	(50)	(37)
Other movements	-	(5)	-	(5)	10
Balance at end of year	994	632	2	1 628	877
Amortization and impairment losses					
Balance at end of previous year	(41)	(296)	-	(337)	(305)
Effect of movements in foreign exchange	4	3	-	7	(20)
Amortization	-	(78)	-	(78)	(59)
Acquisitions through business combinations	-	14	-	14	(1)
Disposals	-	24	-	24	12
Disposals through the sale of subsidiaries	-	-	-	-	5
Transfer to other asset categories	1	3	-	4	34
Other movements	-	3	-	3	(4)
Balance at end of year	(36)	(327)	-	(363)	(337)
Carrying value					
at 31 December 2005	231	298	11	540	540
at 31 December 2006	958	305	2	1 265	-

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.

The increase of the intangible assets with indefinite useful life is explained by the 2006 purchase accounting for Quinsa and Sedrin – see note 5 *Acquisitions and disposals of subsidiaries*. In accordance with the IFRS 3 *Business Combinations* requirements Quinsa's brands and distribution rights were measured at their fair value, resulting in an increase of the intangible assets with an indefinite useful life by 623m euro. The measurement of the Quinsa brands and distribution rights was determined by an independent valuation expert and corroborated by the royalty streams that could be obtained from licensing the brands and distribution rights to another party in an arm's length transaction. The main Quinsa brands are Quilmes (Argentina), Paceña (Bolivia), Pilsen Y Malta (Uruguay) and Pilsen (Paraguay). Distribution rights with an indefinite useful life relate to Brahma in Argentina and Paraguay for a total amount of 120m euro.

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 2006	31 December 2005
Argentina	349	-
China	154	-
Bolivia	115	-
Paraguay	108	-
UK	99	97
USA	45	50
Uruguay	33	-
Russia	23	24
Chile	18	-
Germany	14	15
Brazil	-	45
	958	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 CO₂ 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 2006 that the emission allowances owned will fully cover the expected CO₂ emissions, no provision was recognized.

15. Investment securities

Million euro	2006	2005
Non-current investments		
Equity securities available-for-sale	37	29
Debt securities held-to-maturity	3	9
	40	38
Current investments		
Financial assets at fair value through profit or loss - held for trading	222	173
Debt securities held-to-maturity	1	-
Debt securities available-for-sale	-	2
	223	175

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	
	2006	2005	2006	2005	2006	2005
Property, plant and equipment	30	28	(460)	(468)	(430)	(440)
Intangible assets	21	42	(262)	(28)	(241)	14
Goodwill	83	115	(9)	(29)	74	86
Investment securities	49	63	(9)	(13)	40	50
Trade and other receivables	41	38	-	-	41	38
Interest-bearing loans and borrowings	10	13	(17)	(5)	(7)	8
Employee benefits	223	261	(1)	(1)	222	260
Provisions	165	225	-	(8)	165	217
Derivatives	43	38	-	-	43	38
Other items	33	31	(62)	(31)	(29)	-
Loss carry forwards	342	385	-	-	342	385
Gross deferred tax assets/(liabilities)	1 040	1 239	(820)	(583)	220	656
Netting by taxable entity	(183)	(309)	183	309	-	-
Net deferred tax assets/(liabilities)	857	930	(637)	(274)	220	656

On 31 December 2006, a deferred tax liability of 36m euro (2005: 25m 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 761m euro (2005: 654m euro). 517m euro of these tax losses do not have an expiration date, 22m euro, 51m euro and 96m euro expire within respectively 1, 2 and 3 years, while 75m euro has an expiration date of more than 3 years. Deferred tax assets have not been recognized on these items because it is not probable that future taxable profits will be available against which the unused tax losses can be utilized.

When reconciling the 2006 deferred income tax expense of 136m euro with the decrease in the net deferred tax assets by 435m euro, it should be noted that changes in the consolidation scope and actuarial gains decreased the net deferred tax assets by respectively 284m euro and 7m euro. The remaining 8m euro difference is mainly explained by changes in the foreign currency rates as compared to last year.

17. Inventories

Million euro	2006	2005
Prepayments	53	38
Raw materials and consumables	587	513
Work in progress	103	89
Finished goods	184	203
Goods purchased for resale	90	86
	1 017	929
Inventories other than work in progress		
Inventories stated at net realizable value	12	22
Carrying amount of inventories subject to collateral	8	6

The cost of inventories recognized as an expense in 2006, amounted to 5 477m euro, included in cost of sales. Last year, this expense amounted to 5 082m euro.

18. Trade and other receivables

Non-current trade and other receivables

Million euro	2006	2005
Trade receivables	42	43
Cash deposits for guarantees	240	239
Loans to customers	198	213
Other receivables	215	164
	695	659

For the nature of cash deposits for guarantees see note 30 *Collateral and contractual commitments for the acquisition of property, plant, equipment, loans to customers and other*.

Current trade and other receivables

Million euro	2006	2005
Trade receivables	1 823	1 714
Interest receivable	13	21
Tax receivable, other than income tax	169	180
Derivative financial instruments with positive fair values	144	77
Loans to customers	92	75
Prepaid expenses	238	206
Accrued income	15	11
Other receivables	77	72
	2 571	2 356

The ageing of our current trade receivables, interest receivable, other receivables and loans to customers can be detailed as follows:

	Net carrying amount as of December 31, 2006	Of which: neither impaired nor past due on the reporting date	Of which not impaired as of the reporting date and past due					
			Past due - less than 30 days	Past due - between 30 and 59 days	Past due - between 60 and 89 days	Past due - between 90 and 179 days	Past due - between 180 and 359 days	Past due - more than 359 days
Trade receivables	1 823	1 560	159	42	21	26	11	4
Loans to customers	290	274	-	-	-	1	2	13
Interest receivable	13	12	-	-	-	-	-	1
Other receivables	77	50	5	4	3	9	3	3
Total	2 203	1 896	164	46	24	36	16	21

In accordance with the IFRS 7 *Financial Instruments: Disclosures* requirements the above analysis of the age of financial assets that are past due as at the reporting date but not impaired includes the non-current part of loans to customers. Past due amounts were not impaired when collection is still considered likely, for instance because the amounts can be recovered from the tax authorities or InBev has sufficient collateral.

2006 impairment loss on non-current and current trade, other receivables and loans to customers amounted to 31m euro (2005: 12m euro).

19. Cash and cash equivalents

Million euro	2006	2005
Short term bank deposits	297	365
Current bank accounts	321	242
Cash	8	6
Cash and cash equivalents	626	613
Bank overdrafts	(90)	(61)
	536	552

20. Assets and liabilities held for sale

Million euro	2006	2005
Assets held for sale	114	67
Liabilities held for sale	(41)	(18)
	73	49

Assets held for sale at 31 December 2006 include 31m euro land and buildings in Brazil. These are assets of plants which became idle after the merger between Brahma and Antartica due to overcapacity. The disposal of these assets is expected in 2007. No gain or loss with respect to these assets was recognized in 2006.

2006 assets held for sale further include a baseball stadium in Korea with a carrying amount of 16m euro. The disposal of the stadium is expected during the first half of 2007. No impairment loss was recognized on this asset because its fair value less costs to sell is higher than the carrying amount.

Assets held for sale also include the Dinkelacker brewery, which was sold on 1 January 2007. The Dinkelacker assets of 31m euro primarily include 17m euro land and buildings and 9m euro intangible assets. The related liabilities held for sale of 35m euro include mainly employee benefits of 20m euro and a deferred tax liability of 10m euro. The planned disposal of Dinkelacker led to the recognition of a non-recurring charge of 64m euro in 2006, out of which 28m euro property, plant and equipment impairment and 35 m euro goodwill impairment.

Finally, 2006 assets held for sale include land and buildings of our German operations Gilde and Beck for a total amount of 34m euro that are foreseen to be disposed of in 2007. As the assets are expected to be realized at carrying value, no impairment loss was recognized in 2006.

The 2006 assets held for sale were presented in the following geographical segments: Asia Pacific 17m euro, Latin America 32m euro and Western Europe 65m euro.

21. Changes in equity

The table below summarizes the changes in equity that took place during the years 2005 and 2006:

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 December 2004	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 December 2005	470	7 334	(66)	64	1 283	(14)	(306)	8	2 698	11 471	379	11 850

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 December 2005	470	7 334	(66)	64	1 283	(14)	(306)	8	2 698	11 471	379	11 850
Total recognized gains and losses	-	-	-	-	(353)	64	17	-	1 411	1 139	703	1 842
Shares issued	3	78	-	-	-	-	-	-	-	81	-	81
Dividends	-	-	-	-	-	-	-	-	(313)	(313)	(294)	(607)
Share-based payments	-	-	-	8	-	-	-	-	-	8	-	8
Treasury shares	-	-	27	-	-	-	-	(14)	-	13	(10)	3
Other	-	-	-	-	-	-	-	(3)	-	(3)	-	(3)
Scope changes	-	-	-	-	-	-	-	-	(134)	(134)	102	(32)
As per 31 December 2006	473	7 412	(39)	72	930	50	(289)	(9)	3 662	12 262	880	13 142

Statement of capital

Capital	Million euro	Million shares
Issued capital		
At the end of the previous year	470	610
Changes during the year	3	3
	473	613

Treasury shares	Million euro	Million shares
At the end of the previous year	66	1.9
Changes during the year	(27)	(0.8)
	39	1.1

Using the powers granted during the Extraordinary Shareholders Meeting of 26 April 2005, the board of directors decided in June 2005 to initiate a share buy-back program of InBev shares for an amount up to 300m euro. The program ran for a period of twelve months and was not extended thereafter. The aim of the program was to enhance shareholder value by combining the strong cash-flow generation of the company with the right capital structure. In addition, the program allows the company to satisfy its share-based payment obligations under the new incentive programs – see also note 25 *Share-based payments*.

During the year 2006, InBev repurchased 1 510 000 own shares on the Euronext Brussels Stock Exchange for a total amount of 59m euro. The shares were redeemed at the share price of the day. 2 064 424 shares were granted to members of the AmBev senior management in accordance with InBev's share exchange program for AmBev shareholders who are part of the senior management of InBev – see note 25 *Share-based payments*. In addition, 277 322 shares were used to settle part of the 2005 bonus of executives.

At 31 December 2006, the company still owned 1 135 317 own shares.

Dividends

On 28 February 2007, a dividend of 441m euro, or 0.72 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 2006 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 liabilities and on the derivative financial instruments determined to be effective net investment hedges in conformity with the IAS 39 *Financial Instruments: Recognition and Measurement* hedge accounting rules.

Hedging reserves

The hedging reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedges to the extent the hedged risk has not yet impacted profit or loss – see also note 28 *Financial Instruments – market and other risks*.

22. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of InBev of 1 411 m euro (2005: 904m euro) and a weighted average number of ordinary shares outstanding during the year, calculated as follows:

Million shares	2006	2005
Issued ordinary shares at 1 January, net of treasury shares	608	576
Effect of shares issued	-	24
Weighted average number of ordinary shares at 31 December	608	600

The calculation of diluted earnings per share is based on the profit attributable to equity holders of InBev of 1 411 m euro (2005: 904m euro) and a weighted average number of ordinary shares (diluted) outstanding during the year, calculated as follows:

Million shares	2006	2005
Weighted average number of ordinary shares at 1 January	608	600
Effect of share options and warrants	5	3
Weighted average number of ordinary shares (diluted) at 31 December	613	603

The calculation of earnings per share before non-recurring items is based on the profit before non-recurring items, attributable to equity holders of InBev, calculated as follows:

Million euro	2006	2005
Profit attributable to equity holders of InBev	1 411	904
Non-recurring items, after taxes, attributable to equity holders of InBev	111	120
Profit before non-recurring items, attributable to equity holders of InBev	1 522	1 024

The tables below set out our EPS calculation:

Million euro	Profit attributable to equity holders of InBev	Profit before non-recurring items, attributable to equity holders of InBev	Weighted average number of ordinary shares	EPS
Basic EPS	1 411	-	608	2.32
EPS before non-recurring items	-	1 522	608	2.50

Million euro	Profit attributable to equity holders of InBev	Profit before non-recurring items, attributable to equity holders of InBev	Weighted average number of ordinary shares (diluted)	EPS
Diluted EPS	1 411	-	613	2.30
Diluted EPS before non-recurring items	-	1 522	613	2.48

23. 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 28 *Financial instruments – market and other risks*.

Non-current liabilities

Million euro	2006	2005
Secured bank loans	160	137
Unsecured bank loans	2 937	2 927
Unsecured bond issues	1 909	1 222
Unsecured other loans	133	172
Finance lease liabilities	7	8
	5 146	4 466

Current liabilities

Million euro	2006	2005
Secured bank loans	79	67
Unsecured bank loans	1 045	936
Unsecured bond issues	41	132
Secured other loans	37	32
Unsecured other loans	-	2
Finance lease liabilities	2	2
	1 204	1 171

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	239	79	2	127	31
Unsecured bank loans	3 982	1 045	79	1 238	1 620
Unsecured bond issues	1 950	41	183	865	861
Secured other loans	37	37	-	-	-
Unsecured other loans	133	-	3	75	55
Finance lease liabilities	9	2	3	2	2
	6 350	1 204	270	2 307	2 569

Finance lease liabilities

Million euro	Payments 2006	Interest 2006	Principal 2006	Payments 2005	Interest 2005	Principal 2005
Less than one year	2	-	2	2	-	2
Between one and five years	6	1	5	6	1	5
More than five years	3	1	2	2	1	1
	11	2	9	10	2	8

24. Employee benefits

InBev maintains in several countries 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 2006, the defined contribution expenses for the company amounted to 6m euro compared to 4m euro for 2005.

Defined benefit plans

The company makes contributions to 55 defined benefit plans of which 43 are retirement plans and 12 are medical cost plans. Most plans provide benefits related to pay and years of service. The German, French, 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 in accordance with applicable legal requirements and common practice in each country. The medical cost plans in Canada, US, Belgium and Brazil provide medical benefits to employees and their families during the service period and after retirement.

The present value of funded obligations includes a 111m 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 2006, 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 net decrease in outstanding employee benefits by 168m euro as compared to 31 December 2005 is primarily the effect of contributions paid to pension plans (177m euro), actuarial gains (28m euro) and exchange gains (38m euro), partly offset by 2006 expenses (69m euro).

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

Million euro	2006	2005
Present value of funded obligations	(2 289)	(2 375)
Fair value of plan assets	2 129	2 005
Present value of net obligations for funded plans	(160)	(370)
Present value of unfunded obligations	(412)	(454)
Present value of net obligations	(572)	(824)
Unrecognized past service cost	7	22
Unrecognized asset	(154)	(113)
Net liability	(719)	(915)
Other long term employee benefits	(28)	-
Total employee benefits	(747)	(915)
Employee benefits amounts in the balance sheet:		
Liabilities	(753)	(935)
Assets	6	20
Net liability	(747)	(915)

The other long-term employee benefits balance of 28m euro at 31 December 2006 relates for an amount of 14m euro to long service leave and jubilee benefits while 14m euro represents the Quinsa profit sharing that is payable two years after the close of the related year in which profit was made. At 31 December 2005 the corresponding balances were included in *Trade and other payables*.

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

Million euro	2006	2005
Defined benefit obligation at 1 January	(2 829)	(2 167)
Service cost	(69)	(63)
New unvested past service cost	10	(12)
Interest cost	(153)	(143)
Actuarial gains and (losses)	(19)	(277)
(Losses) and gains on curtailments	1	(13)
Changes in consolidation scope	-	3
Reclassifications from provisions	-	(19)
Reclassifications to assets held for sale	19	-
Other	2	5
Exchange differences	121	(278)
Benefits paid	216	135
Defined benefit obligation at 31 December	(2 701)	(2 829)

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

Million euro	2006	2005
Fair value of plan assets at 1 January	2 005	1 514
Expected return	169	141
Actuarial gains and (losses)	47	133
Contributions by InBev	177	122
Contributions by plan participants	11	10
Other	22	10
Exchange differences	(86)	211
Assets distributed on settlement	(56)	(1)
Benefits paid	(160)	(135)
Fair value of plan assets at 31 December	2 129	2 005

The actual return on plan assets in 2006 and 2005 was 216m euro and 274m euro respectively.

The increase in contributions by InBev (177m euro in 2006 versus 122m euro in 2005) is primarily explained by the higher minimum required contribution in Canada and the wind-up of certain Canadian plans following restructurings for which the related obligations were recognized in 2005. The latter resulted in 56m euro assets distributed on settlement during 2006.

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

Million euro	2006	2005
Current service costs	(59)	(53)
Interest cost	(153)	(143)
Expected return on plan assets	169	141
Amortized past service cost	(1)	(8)
New vested past service cost	1	-
Gains/(losses) on settlements or curtailments	-	(14)
Asset limitation	(23)	(15)
	(66)	(92)

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

Million euro	2006	2005
Cost of sales	(17)	(20)
Distribution expenses	(13)	(17)
Sales and marketing expenses	(13)	(11)
Administrative expenses	(20)	(28)
Non-recurring items	(3)	(16)
	(66)	(92)

Weighted average assumptions used in computing the benefit obligations at the balance sheet date are as follows¹ :

	2006	2005
Discount rate	4.3 %	4.1 %
Future salary increases	2.4 %	2.3 %
Future pension increases	1.1 %	0.8 %
Medical cost trend rate	6.5 % p.a. reducing to 3.1 %	5.0 % p.a. reducing to 2.1 %
Dental claims trend rate	3.9 %	3.6 %
Life expectation for a 40 year old male	81	81
Life expectation for a 40 year old female	85	85

Weighted average assumptions used in computing the net periodic pension cost for the year are as follows¹ :

	2006	2005
Discount rate	4.1 %	4.7 %
Expected return on plan assets	6.3 %	6.5 %
Future salary increases	2.3 %	2.3 %
Future pension increases	0.8 %	0.9 %
Medical cost trend rate	5.0 % p.a. reducing to 2.1 %	5.6 % p.a. reducing to 2.4 %
Dental claims trend rate	3.6 %	3.6 %

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 :

Million euro	2006		2005	
Medical cost trend rate	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
Effect on the aggregate of the service cost and interest cost of medical plans	(3)	3	(4)	3
Effect on the defined benefit obligation for medical costs	(33)	28	(36)	32

To meet the IAS 1 *Presentation of Financial Statements* disclosure requirements on key sources of estimation uncertainty we have included the results of our sensitivity analysis with regard to the discount rate, the future salary increase and the longevity assumptions (note that a positive amount refers to a decrease in the obligations or cost while a negative amount refers to an increase in the obligations or cost).

Million euro	2006	
Discount rate	50 basis points increase	50 basis points decrease
Effect on the aggregate of the service cost and interest cost of defined benefit plans	4	(4)
Effect on the defined benefit obligation	188	(203)

¹ Since the assumptions are nominal rates in different currencies we have converted the foreign rates into euro equivalents based on the 5 year forward currency exchange rates. The weighted average assumptions are calculated based on these euro equivalents.

Million euro	2006	
Future salary increase	50 basis points increase	50 basis points decrease
Effect on the aggregate of the service cost and interest cost of defined benefit plans	(5)	5
Effect on the defined benefit obligation	(39)	37

Million euro	2006	
Longevity	One year increase	One year decrease
Effect on the aggregate of the service cost and interest cost of defined benefit plans	(5)	5
Effect on the defined benefit obligation	(72)	71

The above are purely hypothetical changes in individual assumptions holding all other assumptions constant: economic conditions and changes therein will often affect multiple assumptions at the same time and the effects of changes in key assumptions are not linear. Therefore, the above information is not necessarily a reasonable representation of future results.

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

	2006	2005
Government bonds	30 %	21 %
Corporate bonds	12 %	19 %
Equity instruments	54 %	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 for 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 based on advice of external valuation experts. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated share in the total investment portfolio.

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

Million euro	2006	2005	2004	2003	2002
Present value of the defined benefit obligations	(2 701)	(2 829)	(2 167)	(1 739)	(1 492)
Fair value of plan assets	2 129	2 005	1 514	1 094	904
Deficit	(572)	(824)	(653)	(645)	(588)
Experience adjustments: (increase)/decrease plan liabilities	(6)	(33)	-	-	-
Experience adjustments: increase/(decrease) plan assets	47	133	108	-	-

InBev expects to contribute approximately 128m euro to its defined benefit plans in 2007.

25. Share-based payments

Different share and share option programs allow company senior management and members of the board of directors to acquire shares of InBev or AmBev. The options' exercise price equals the average market price of the underlying shares in the thirty calendar days preceding the offer date. The InBev options have a contractual life of 10 years. The fair value of options granted is estimated at grant date, using the binomial Hull model, modified to reflect the IFRS 2 *Share-based Payment* requirement that assumptions about forfeiture before the end of the vesting period cannot impact the fair value of the option. During 2006 InBev adopted the binomial Hull model because it better reflects the effects of employee share option features like forfeiture after the vesting period, vesting and employee exercise behavior. Until 2005 InBev used the Black-Scholes-Merton option pricing model to determine the fair values of its employee share options granted.

The fair value of options granted to employees is expensed over the vesting period. Under the new bonus plan that was introduced in 2005, the related options issued during the second quarter of 2006 cliff vest after 5 years under the condition that a 'ROIC – WACC' differential has been achieved. InBev issued a total of 0.7m of such options representing a fair value of approximately 9m euro. In addition, as a transitional measure, 0.5m options were granted under the old InBev option plan. These options gradually vest over a period of 3 years (one third on 1 January of 2008, one third on 1 January 2009 and one third on 1 January 2010) and represent a fair value of approximately 6m euro.

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	2006	2005	2004 ¹
Fair value of options granted	12.20	6.82	7.15
Share price	37.73	24.37	22.71
Exercise price	39.29	24.06	24.20
Expected volatility	26 %	22 %	24 %
Expected option life (in years)	N/A	6	6
Expected dividends	1.44 %	1.37 %	1.31 %
Risk-free interest rate	4.21 %	3.58 %	3.79 %

Since the acceptance period of the options is two months, the fair value was determined as the average of the fair values calculated on a weekly basis during the two months offer period.

Expected volatility is based on historical volatility calculated using 150 days of historical data. The binomial Hull model assumes that all employees would immediately exercise their options if the InBev share price is 2.5 times above the exercise price. As a result, no single expected option life applies.

The total number of outstanding options developed as follows:

Million options	2006	2005	2004
Options outstanding at 1 January	10.9	11.4	9.9
Options issued during the year	1.2	2.0	3.4
Options exercised during the year	(3.4)	(2.3)	(1.8)
Options forfeited during the year	(1.1)	(0.2)	(0.1)
Options outstanding at 31 December	7.6	10.9	11.4

The range of exercise prices of the outstanding options is between 11.65 euro and 39.64 euro while the weighted average remaining contractual life is 7.7 years.

Of the 7.6m outstanding options 4.5m options are vested at 31 December 2006.

¹ The 2004 data cover all option plans issued between November 2002 and December 2004 for which IFRS 2 has been applied.

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

Amounts in euro	2006	2005	2004
Options outstanding at 1 January	24.24	23.42	21.70
Granted during the period	39.29	27.08	23.02
Forfeited during the period	23.63	27.45	26.42
Exercised during the period	23.70	22.25	13.19
Outstanding at the end of the period	26.94	24.24	23.42
Exercisable at the end of the period	24.92	24.39	23.61

For share options exercised during 2006 the weighted average share price at the date of exercise was 42.66 euro.

In the second quarter of 2006 AmBev has issued under an equivalent 5 year cliff vesting plan 69m options for which the fair value amounts to approximately 11m euro. The fair value of the options and assumptions used in applying the binomial Hull option pricing model for the 2006 AmBev grant are as follows:

Amounts in euro unless otherwise indicated	2006	2005	2004
Fair value of options granted	0.16	-	0.09
Share price	0.37	-	0.19
Exercise price	0.37	-	0.16
Expected volatility	30 %	-	32 %
Expected option life (in years)	N/A	-	3
Expected dividends	5 %	-	1.21 %
Risk-free interest rate	14.47 %	-	16.40 %

During 2005 AmBev did not issue any share options to employees.

During the third quarter of 2006, 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 1.5m InBev shares (1.6m in 2005) 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 10m euro (2005: 8m euro) and is expensed over the five years 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 are partially settled in shares.

The above described share-based payment transactions resulted in a total expense of 49m euro for the year 2006 and 59m euro for the year 2005. The decrease of the share-based payment expense is for a significant part explained by higher than anticipated forfeitures during 2006.

26. Provisions

Million euro	Restructuring	Disputes	Other	Total
Balance at 1 January	236	429	111	776
Effect of changes in foreign exchange rates	(5)	(4)	(1)	(10)
Changes through business combinations	-	9	-	9
Provisions made	246	164	7	417
Provisions used	(149)	(107)	(6)	(262)
Provisions reversed	(99)	(177)	(2)	(278)
Other movements	55	29	(35)	49
Balance at 31 December	284	343	74	701

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. Provisions for disputes mainly relate to various disputed direct and indirect taxes and to claims from former employees.

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

Million euro	Total	1 year or less	1-2 years	2-5 years	More than 5 years
Restructuring					
IAS 22 Business combinations	11	1	10	-	-
Reorganization (recurring)	35	6	6	11	12
Reorganization (non-recurring)	238	179	30	18	11
	284	186	46	29	23
Disputes & contingencies					
Commercial	43	16	11	11	5
Income taxes	58	14	6	38	-
Labor	92	14	34	43	1
Indirect taxes	68	4	14	40	10
Other	82	2	16	19	45
	343	50	81	151	61
Other					
Demolition	7	5	2	-	-
Guarantees given	17	1	-	13	3
IAS 22 Business combinations	12	6	-	-	6
Onerous contracts	11	2	-	2	7
Other	27	3	-	20	4
	74	17	2	35	20
	701	253	129	215	104

27. Trade and other payables

Non-current trade and other payables

Million euro	2006	2005
Indirect taxes payable	144	128
Trade payables	1	3
Cash guarantees	6	6
Deferred consideration on acquisitions	40	70
Other payables	50	62
	241	269

Current trade and other payables

Million euro	2006	2005
Trade payables and accrued expenses	1 764	1 526
Payroll and social security payables	409	363
Indirect taxes payable	760	704
Interest payable	64	46
Consigned packaging	354	325
Cash guarantees	20	12
Derivative financial instruments with negative fair values	344	189
Dividends payable	32	19
Deferred income	6	16
Deferred consideration on acquisitions	54	102
Other payables	112	161
	3 919	3 463

28. Financial instruments – Market and other risks

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 analyses each of these risks individually as well as on an interconnected basis, and defines strategies to manage the economic impact on the company's performance in line with its financial risk management policy. 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 our 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, cross currency interest rate swaps, forward rate agreements, exchange traded interest rate futures, 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 2006 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	356	396	-
Foreign currency futures	185	16	38
Interest rate			
Interest rate swaps	500	513	1 127
Cross currency interest rate swaps	419	1 618	555
Forward rate agreements	333	300	-
Interest rate futures	49	-	-
Commodities			
Aluminum swaps	142	-	-
Sugar futures	35	10	-
Wheat futures	27	-	-

Forward exchange contracts include the series of contracts used to hedge the Brazilian real borrowing in Canada (see interest rate and foreign currency risks section below).

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 unless the cost to hedge outweighs the benefits.

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. 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 2006 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. The second currency of the currency pairs listed is the functional currency of the related subsidiary.

Million euro	Total exposure	Total derivatives	Open position
Euro / Brazilian real	(30)	30	-
Euro / Canadian dollar	(17)	17	-
Euro / Hungarian forint	(17)	17	-
Euro / Pound sterling	(52)	52	-
Euro / Russian ruble	(142)	-	(142)
Euro / US dollar	(90)	90	-
Euro / Ukrainian hryvnia	(22)	-	(22)
US dollar / Brazilian real	(29)	29	-
US dollar / Canadian dollar	(32)	32	-
US dollar / euro	(15)	15	-
US dollar / Peruvian nuevo sol	(27)	27	-
US dollar / Pound sterling	33	(33)	-
US dollar / Russian ruble	(8)	-	(8)
US dollar / South Korean won	(9)	9	-
US dollar / Ukrainian hryvnia	(19)	-	(19)
US dollar / Argentinean peso	(8)	8	-
US dollar / Chilean peso	(9)	9	-

The rationale behind the open currency exposures reported in Russia and Ukraine is further explained in the *Currency sensitivity analysis* below.

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 53m euro has been recognized directly in equity during 2006. In line with the normal hedging horizon of the forecasted foreign currency operational exposures defined in the group policy, the future cash flows are expected to affect profit or loss in the coming next 15 months.

In 2006, a net gain before tax of 22m euro was reclassified to cost of sales. Furthermore, a net loss before tax of 80m euro realized on forward exchange contracts and foreign currency futures hedging the currency risk on the forecasted purchase of raw materials was included in the carrying amount of the raw materials in inventories in accordance with the IAS 39 *Financial Instruments: Recognition and Measurement* basis adjustment accounting for cash flow hedges.

The cumulative outstanding cash flow hedging reserve in equity relating to the operational foreign currency cash flow hedges of the company amounts to a net loss before tax of 26m euro at 31 December 2006.

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 instruments that qualifies as an effective hedge is recognized directly in equity (translation reserves). On these net investment hedges, a net loss before tax of 6m euro has been recognized directly in equity during 2006. The cumulative outstanding currency translation hedging reserve in equity amounts to a net loss before tax of 1m euro at 31 December 2006.

A description of the foreign currency risk hedging related to the debt instruments issued in a currency other than the functional currency of the subsidiary (including the private placements, the US dollar bonds and the Brazilian real borrowing) is given below.

Currency sensitivity analysis

Currency translational risk

Around 80 % of InBev's revenue is generated by subsidiaries, referred to as foreign operations, of which the activities are conducted in a currency other than the euro. A currency translation risk arises when the financial data of these foreign operations are converted in InBev's presentation currency, the euro. The foreign currencies in which the main InBev subsidiaries operate are the Brazilian real, the Canadian dollar, the US dollar, the pound sterling, the South Korean won, the Russian ruble and the Argentinean peso. On the basis of the volatility of these currencies against the euro in 2006, we estimated the reasonably possible change of the exchange rate of these currencies against the euro as follows¹:

1 euro equals:	Closing rate 31 December 2006	Average rate 2006	Possible volatility of rates in %	Rates as used for the sensitivity analysis	
				Possible closing rate 31 December 2006	Possible average rate 2006
Argentinean peso	4.04	3.84	9.91 %	3.64 - 4.44	3.46 - 4.22
Brazilian real	2.82	2.74	20.31 %	2.24 - 3.39	2.18 - 3.29
Canadian dollar	1.53	1.42	10.70 %	1.36 - 1.69	1.26 - 1.57
Pound sterling	0.67	0.68	5.68 %	0.63 - 0.71	0.64 - 0.72
Russian ruble	34.70	34.09	6.42 %	32.47 - 36.93	31.90 - 36.29
South Korean won	1 225	1 199	11.96 %	1 078 - 1 372	1 055 - 1 342
US dollar	1.32	1.25	9.69 %	1.19 - 1.44	1.13 - 1.38

If the euro had weakened/strengthened during 2006 by the above estimated possible changes against the above listed currencies with all other variables held constant, the 2006 profit would have been 392m euro (18 %) higher/lower while the translation reserves in equity would have been 1 790m euro (14 % of total equity) higher/lower.

Currency transactional risk

Most of InBev's non-derivative monetary financial instruments are either denominated in the functional currency of the subsidiary or are converted into the functional currency through the use of derivatives. However, the company has open positions in Central & Eastern European countries for which no hedging is performed because the illiquidity of the local foreign exchange market prevents us from hedging at a reasonable cost. In 2006, the transactional foreign currency risk mainly arises from the open foreign currency position outstanding in Russia and Ukraine against the euro and the US dollar. On the basis of the average volatility of the Ukrainian hryvnia and the Russian ruble against the euro and the US dollar during 2006, we estimated the reasonably possible change of exchange rate of these currencies against the Ukrainian hryvnia and the Russian ruble as follows:

	Closing rate 31 December 2006	Possible volatility of rates in %	Rates as used for the sensitivity analysis	
			Possible closing rate 31 December 2006	
Euro / Russian ruble	34.70	6.42 %	32.47 - 36.93	
Euro / Ukrainian hryvnia	6.65	11.46 %	5.89 - 7.41	
US dollar / Russian ruble	26.35	5.48 %	24.90 - 27.79	
US dollar / Ukrainian hryvnia	5.05	20.23 %	4.03 - 6.07	

If the Ukrainian hryvnia and the Russian ruble had weakened/strengthened during 2006 by the above estimated changes against the euro or the US dollar, with all other variables held constant, the 2006 profit would have been 11m euro lower/higher.

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 475m euro (last year 1 018m euro) of a credit facility agreement with a total amount outstanding at 31 December 2006 of 1 515m euro (last year 1 066m euro).

¹ The estimation is based on the standard deviation of daily volatilities of the foreign exchange rates during the past 250 days at 31 December 2006 and using a 95% confidence interval.

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 36m euro has been recognized directly in equity in 2006. The cumulative outstanding hedge accounting reserve in equity amounts to a net gain before tax of 51m euro per 31 December 2006.

The 1 475m euro hedged portion of the credit facility is for 349m euro hedged within a horizon of 5 years and 1 127 m euro is hedged for longer than 5 years. The hedged future cash flows should be realized in line with this hedging horizon.

Floating interest rate risk on borrowings in Canadian dollar

The company entered into several interest rate swaps to hedge the floating interest rate risk on 185m Canadian dollar (last year 185m Canadian dollar) of debt with a total amount outstanding at 31 December 2006 of 600m Canadian dollar (last year 700m 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 4m euro has been recognized directly in equity in 2006. The cumulative outstanding hedge accounting reserve in equity amounts to a net gain before tax of 2m euro at 31 December 2006.

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 loss before tax of 8m euro has been recognized directly in equity in 2006 of which a net loss before tax of 11m euro was reclassified to the income statement to compensate the currency revaluation of the 120m US dollar tranche. The cumulative outstanding hedge accounting reserve in equity amounts to a net loss before tax of 12m euro at 31 December 2006.

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 since 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 2006 to apply hedge accounting in accordance with IAS 39 for the bond 2013 hedging. The changes in the currency fair value component of the related derivatives as well as the changes in fair value of the bond attributable to changes in foreign exchange rates are recognized in the income statement. The changes in the interest rate fair value component of the derivatives are therefore recognized directly in the income statement without the offsetting fair value changes of the US dollar bond 2013, attributable to changes in the interest rate risk, being recognized. For 2006, this resulted in the recognition of a net loss before tax in the income statement of 10m euro.

In December 2006, 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 bond 2013, attributable to changes in foreign exchange rates and risk-free interest rates, are recognized in the income statement as from December 2006.

Fixed interest rate risk and foreign currency risk on a borrowing in Brazilian Real

In June 2006, the company entered into a series of forward exchange contracts to hedge the Brazilian real and fixed interest rate risk from a bank loan of 716m Brazilian real. The unwinding of the forward exchange contracts acts like a receive Brazilian real fixed / pay Canadian dollar fixed cross currency interest rate swap. The maturity dates of these foreign exchange forwards are identical to the maturity dates of the interest flows and the maturity date of the principal, being 20 June 2011.

In conformity with the IAS 39 hedge accounting rules, these hedges were designated as cash flow hedges. Consequently, the portion of the gain or loss on the hedges attributable to changes in foreign exchange rates that are determined to be effective hedges is recognized directly in equity (hedging reserves). A net gain before tax of 57m euro has been recognized in equity in 2006 of which 19m euro has been directly reclassified to the income statement to compensate the revaluation of the loan. In addition, the net gain before tax of 2m realized in 2006 on the foreign exchange contract hedging the first Brazilian real coupon was reclassified to compensate the interest expense recognized on the loan.

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	2006				
	Effective interest rate	Carrying amount	< 1 year	1-5 years	> 5 years
Floating rate					
Brazilian real	12.81 %	975	975	-	-
Canadian dollar	4.70 %	206	206	-	-
Euro	3.72 %	1 525	1 525	-	-
Hungarian forint	8.42 %	42	42	-	-
Pound sterling	5.41 %	88	88	-	-
Russian ruble	6.27 %	91	91	-	-
South Korean won	5.01 %	25	25	-	-
Ukrainian hryvnia	11.65 %	63	63	-	-
US dollar	7.01 %	66	66	-	-
Other	3.01 %	13	13	-	-
Total		3 094	3 094	-	-
Fixed rate					
Argentinean peso	9.20 %	86	63	23	-
Brazilian real	12.72 %	338	59	254	25
Canadian dollar	6.98 %	91	-	91	-
Dominican peso	10.55 %	55	29	26	-
Euro	3.73 %	178	166	3	9
Guatemalan quetzal	7.40 %	23	7	16	-
Japanese yen	3.64 %	202	202	-	-
Peruvian nuevo sol	6.75 %	81	16	65	-
Russian ruble	8.00 %	115	-	115	-
South Korean won	5.41 %	98	41	57	-
US dollar	6.86 %	1 869	177	1 252	440
Venezuelan bolivar	8.94 %	52	21	31	-
Other	4.87 %	34	27	7	-
Total		3 222	808	1 940	474

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 hryvnia	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

The total carrying amount of the floating and fixed rate interest-bearing financial liabilities listed above does not include the interest rate fair value component of 34m euro of debt instruments designated in a fair value hedge.

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	2006				
	Effective interest rate	Amount	< 1 year	1-5 years	> 5 years
Floating rate					
Brazilian real	12.69 %	2 119	2 119	-	-
Canadian dollar	4.78 %	253	253	-	-
Euro	4.13 %	365	365	-	-
Hungarian forint	8.42 %	42	42	-	-
Pound sterling	5.62 %	276	276	-	-
Russian ruble	6.27 %	91	91	-	-
South Korean won	5.01 %	25	25	-	-
Ukrainian hryvnia	11.65 %	63	63	-	-
US dollar	6.04 %	38	38	-	-
Other	4.84 %	13	13	-	-
Total		3 285	3 285	-	-
Fixed rate					
Argentinean peso	9.18 %	86	63	23	-
Brazilian real	5.46 %	115	57	33	25
Canadian dollar	5.75 %	434	79	355	-
Dominican peso	10.55 %	55	29	26	-
Euro	3.61 %	1 689	466	351	872
Guatemalan quetzal	7.40 %	23	7	16	-
Peruvian nuevo sol	6.75 %	81	16	65	-
Pound sterling	4.76 %	81	-	81	-
Russian ruble	8.00 %	115	-	115	-
South Korean won	5.41 %	98	41	57	-
US dollar	7.12 %	196	39	154	3
Venezuelan bolivar	8.94 %	52	21	31	-
Other	5.31 %	40	33	7	-
Total		3 065	851	1 314	900

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 hryvnia	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 rate sensitivity analysis

As disclosed in the above table, 3 285m euro or 48 % of the company's interest bearing financial liabilities bear a variable interest rate. This floating debt portion consists of debt instruments denominated in Brazilian real, Canadian dollar, euro, Hungarian forint, Pound sterling, Russian ruble, South Korean won, Ukrainian hryvnia and US dollar.

The total interest expense recognized in the 2006 income statement on the company's variable rate debt portion net of the effect of interest rate derivative instruments amounts to 328m euro. The total interest expense recognized on the fixed rate portion amounts to 164m euro.

The company estimated that the reasonably possible change of the market interest rates applicable to its floating rate debt after hedging is as follows¹:

	Rate at 31 December 2006	Possible volatility of rates in %	Rates as used for sensitivity analysis
			Possible rate at 31 December 2006
Brazilian real	12.73 %	12.25 %	11.17 % - 14.29 %
Canadian dollar	4.28 %	5.14 %	4.06 % - 4.50 %
Euro	3.73 %	5.00 %	3.54 % - 3.91 %
Hungarian forint	8.05 %	15.52 %	6.80 % - 9.30 %
Pound sterling	5.32 %	6.07 %	5.00 % - 5.64 %
Russian ruble	5.75 %	91.44 %	0.49 % - 11.01 %
South Korean won	4.82 %	13.62 %	4.16 % - 5.48 %
Ukrainian hryvnia	12.50 %	88.50 %	1.44 % - 23.56 %
US dollar	5.36 %	4.54 %	5.12 % - 5.60 %

When we apply the reasonably possible increase/decrease in the market interest rates mentioned above on our floating rate debt at 31 December 2006, with all other variables held constant, 2006 profit would have been 38m euro lower/higher. In addition, we estimated that this effect would be partly compensated by 4m euro higher/lower interest income on our interest-bearing financial assets.

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 important exposures to the following commodities: aluminum, cans, corn grits, corn syrup, corrugated, crowns, glass, hops, labels, malt and wheat. On 31 December 2006 the company has the following commodity derivatives outstanding: aluminum swaps (142m euro notional amount), exchange traded sugar futures (45m euro notional amount) and exchange traded wheat futures (27m euro notional amount).

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 loss before tax of 12m euro has been recognized in equity of which a net loss before tax of 11m euro was reclassified to the income statement in 2006. The cumulative outstanding hedge accounting reserve in equity amounts to a net gain before tax of 14m euro at 31 December 2006.

Equity price risk

During 2006, InBev has not held any material equity investments classified as available-for-sale. In addition, marketable securities classified as held for trading mainly consist of debt securities not exposed to variation in equity prices or indexes. As a result, InBev was not exposed to any material equity price risks.

¹ The estimation is based on the standard deviation of daily volatilities of the benchmark interest rates during the past 250 days at 31 December 2006 and using a 95% confidence interval. For the Brazilian real floating rate debt, the estimated market interest rate is composed of the Interbank Deposit Certificate ('CDI') and the Long-Term Interest Rate ('TJLP'). With regard to other market interest rates, our analysis is based on the 3-month InterBank Offered Rates applicable for the currencies concerned (e.g. Euribor 3M, Libor 3M, Babor 3M).

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 2006 to be limited.

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 2006.

Capital management

InBev is continuously optimizing its capital structure (mix between debt and equity). The capital structure's main objective is to maximize shareholder value while keeping the desired financial flexibility to execute the strategic projects. Some of the company's other key drivers when making capital structure decisions are pay-out restrictions and maintenance of the strong financial health of InBev. Besides the statutory minimum equity funding requirements that apply to our subsidiaries in the different countries, InBev is not subject to any externally imposed capital requirements. When analyzing our capital structure we use the same debt/equity classifications as applied in our IFRS reporting

Fair value

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	
	2006	2005
Foreign currency		
Forward exchange contracts		
Assets	34	46
Liabilities	(24)	(94)
Foreign currency futures		
Assets	2	-
Liabilities	(3)	-
Interest rate		
Interest rate swaps		
Assets	45	17
Liabilities	(3)	(9)
Cross currency interest rate swaps		
Assets	60	-
Liabilities	(306)	(85)
Commodities		
Aluminum swaps		
Assets	3	10
Liabilities	-	-
Sugar futures		
Assets	-	3
Liabilities	(5)	-
Wheat futures		
Assets	-	-
Liabilities	(4)	-
Total	(201)	(112)

The following table compares the carrying amounts of the most important fixed rate interest-bearing financial liabilities with their fair values at 31 December 2006:

Interest-bearing financial liabilities Million euro	Carrying amount 2006	Fair value 2006	Carrying amount 2005	Fair value 2005
Fixed rate				
Argentinean peso	(86)	(86)	(103)	(103)
Brazilian real	(338)	(386)	-	-
Canadian dollar	(91)	(99)	(101)	(111)
Dominican peso	(55)	(55)	-	-
Euro	(178)	(178)	(187)	(188)
Guatemalan quetzal	(23)	(23)	-	-
Hungarian forint	-	-	(29)	(29)
Japanese yen	(202)	(202)	-	-
Peruvian nuevo sol	(81)	(81)	-	-
Russian ruble	(115)	(115)	(256)	(256)
South Korean won	(98)	(97)	(127)	(127)
US dollar	(1 869)	(1 964)	(2 099)	(2 264)
Venezuelan bolivar	(52)	(52)	-	-
Other	(34)	(34)	-	-
Total	(3 222)	(3 372)	(2 902)	(3 077)

The following summarizes the methods and assumptions used in estimating the fair value of financial instruments recognized at their fair value in the balance sheet and reflected in this note.

Derivative instruments

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

Investment debt securities

The fair value of investment debt securities at fair value through profit or loss is based on their quoted price as published by exchanges or provided by reliable financial information providers.

Non-derivative financial liabilities

The fair value of non-derivate financial liabilities is calculated based on commonly-used valuation techniques (i.e. net present value of future principal and interest cash flows discounted at market rate). These are based on market inputs from reliable financial information providers.

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

29. Operating leases

Leases as lessee

Non-cancelable operating leases are payable as follows:

Million euro	2006	2005
Less than one year	144	110
Between one and five years	465	468
More than five years	257	244
	866	822

At 31 December 2006, 142m euro was recognized as an expense in the income statement in respect of operating leases as lessee (2005: 165m euro).

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 70m euro are expected to be received during the following financial year, 229m euro between one and five years, and 89m euro over more than five years.

At 31 December 2006, 90m euro was recognized as an income in the income statement in respect of subleases (2005: 82m 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	2006	2005
Less than one year	38	23
Between one and five years	143	159
More than five years	68	102
	249	284

At 31 December 2006, 39m euro was recognized as an income in the income statement in respect of operating leases as lessor (2005: 53m euro).

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

Million euro	2006	2005
Collateral given for own liabilities	405	353
Collateral and financial guarantees received for own receivables and loans to customers ¹	207	-
Contractual commitments to purchase property, plant and equipment	230	129
Contractual commitments to acquire loans to customers	187	201
Other commitments	55	120

The collateral given for own liabilities of 405m euro at 31 December 2006 contains 220m euro cash guarantees. Such cash deposits are a customary feature associated with litigations in Brazil: in accordance with Brazilian laws and regulations a company may or must (depending on the circumstances) place a deposit with a bank designated by the court or provide other security such as collateral on property, plant and equipment. With regard to judicial cases, InBev has made the appropriate provisions in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – see also note 26 *Provisions*. An amount of 39m euro serves as a guarantee for outstanding loans. In our balance sheet the cash guarantees are presented as part of other receivables – see note 18 *Trade and other receivables*. Further 28m euro of cash serves as a guarantee for outstanding commodity derivatives while 38m euro of current investment securities serves as a guarantee for outstanding forward contracts. In addition, in certain countries InBev is required to provide collateral on its property in favor of the excise tax authorities. The amount of the collateral is determined by the level of the monthly excise taxes due, inventory levels and transportation risk. At 31 December 2006 the total amount of such collateral was 101m euro. Finally, InBev has collateral on its property, plant and equipment with regard to outstanding loans for 13m euro. To the extent that InBev would not respect its obligations under the related outstanding contracts or would lose the pending judicial cases the collateralized assets would be used to settle InBev's obligations.

To keep InBev's credit risk with regard to receivables and loans to customers as low as possible collateral and other credit enhancements were obtained for a total amount of 207m euro at 31 December 2006. Collateral is held on both real estate and debt securities while financial guarantees are obtained from banks and other third parties.

The increase in contractual commitments to acquire property, plant and equipment from 129m euro at 31 December 2005 to 230m at 31 December 2006 is primarily explained by InBev's investment in a new brewery (green field) in Russia and a glass bottles plant in Brazil.

In a limited number of countries InBev has committed itself to acquire loans to customers from banks at their notional amount if the customers do not respect their reimbursement commitments towards the banks. The total outstanding amount of such loans is 187m euro. During 2006 InBev acquired loans to customers for a total amount of 3m euro under these contractual commitments of which 2m euro were impaired.

Other commitments of 55m euro at 31 December 2006 contain 45m euro (2005: 97m euro) of future engagements to employment and marketing initiatives. These engagements expire in the 3rd quarter of 2008.

The carrying amount of financial assets and property, plant and equipment pledged as collateral at 31 December 2006 amounts to respectively 306m euro (2005: 207m euro) and 101m euro (2005: 123m euro).

1 In accordance with the transitional rules of IFRS 7 Financial Instruments: Disclosures early adopters of IFRS 7 are not required to disclose comparative 2005 data.

31. Contingencies

InBev U.S.A. L.L.C., Labatt Brewing Company Limited, and numerous other US, 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 were named in several of the suits, however the parties agreed in April 2006 to voluntarily dismiss foreign defendants, including Labatt Brewing Company Limited. The dismissal requires certain document preservation by Labatt and allows refiling of the lawsuits in limited circumstances. The company will vigorously defend this litigation. It is not possible at this time to estimate the possible range of loss, if any, of these lawsuits.

Certain subsidiaries of AmBev have received tax assessments totaling 4 131m real including accrued interest and penalties, related to corporate Brazilian taxation of income generated outside Brazil. In 2005, AmBev was officially notified of administrative Lower Court decisions, recognizing that a substantial portion of the amount of the tax assessment mentioned above was incorrect. These decisions, which were appealed, reduced the amount of such tax assessments to 2 228m real (approximately 791m 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.

32. Related parties

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

In addition to short-term employee benefits (primarily salaries) InBev's executive board management members are entitled to post-employment benefits. More particular, members of the executive board management participate in the pension plan of their respective country – see also note 24 *Employee Benefits*. Finally, key management personnel is eligible for the company's share option and/or share swap program (refer note 25 *Share-based Payments*). Total directors and executive board management compensation included in the income statement can be detailed as follows:

Million euro	31 December 2006		31 December 2005	
	Directors	Executive board management	Directors	Executive board management
Short-term employee benefits	2	32	2	23
Post-employment benefits	-	1	-	2
Termination benefits	-	8	-	31
Share-based payments	1	12	1	15
	3	53	3	71

The decrease of the share-based payments expense is the result of higher than anticipated forfeitures during 2006.

Directors' compensations consist mainly of directors' fees (tantièmes). Key management personnel was not engaged in any transactions with InBev and did not have any significant outstanding balances with the company.

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	2006	2005
Non-current assets	54	969
Current assets	22	203
Non-current liabilities	62	280
Current liabilities	24	208
Revenue	-	433
Result from operations	4	128
Profit attributable to equity holders	(1)	34

The significant decrease of the balances as compared to last year is fully explained by the change in consolidation method for Quinsa from proportionate consolidation in 2005 to full consolidation as of August 2006 – see also note 5 *Acquisitions and disposals of subsidiaries*.

Transactions with associates

InBev's transactions with associates were as follows:

Million euro	2006	2005
Revenue	10	6
Current assets	5	4
Current liabilities	6	2

Revenue from associates primarily consists of sales to distributors in which InBev has a non-controlling interest.

33. Events after the balance sheet date

- On 25 January 2007, InBev announced AmBev's commencement of the voluntary offer to purchase any and all outstanding shares of its subsidiary Quilmes Industrial (Quinsa), Société Anonyme ('Quinsa') and that the Commission de Surveillance du Secteur Financier (the 'CSSF') in Luxembourg had approved the offer document (the 'Offer Document') in relation to the voluntary offer by AmBev to purchase up to 6 872 480 Class A shares and up to 8 661 207 Class B shares (including Class B shares held as American Depositary Shares ('ADSs')) of its subsidiary Quinsa, which represent the outstanding Class A shares and Class B shares (and Class B shares held as ADSs) that are not owned by AmBev or its subsidiaries. The offer will be made by Beverage Associates Holding Ltd. ('BAH'), a Bahamian corporation and a wholly-owned subsidiary of AmBev.

The purchase price will be 3.35 US dollar per Class A share, 33.53 US dollar per Class B share (67.07 US dollar per ADS), net to the seller in cash (less any amounts withheld under applicable tax laws), without interest, which corresponds to the same price per share paid by AmBev to Beverage Associates (BAC) Corp. ('BAC'), on 8 August 2006, in a negotiated transaction for the acquisition of BAC's controlling interest in Quinsa.

On 27 February 2007, InBev announced AmBev's decision to extend the period of the voluntary offer to purchase the outstanding shares to 16 March 2007. The offer period was extended to allow shareholders the opportunity to review the 2006 annual results of Quinsa prior to making their decision.

AmBev intends, as soon as practicable following the consummation of the offer, to acquire the remaining Class A shares and Class B shares (and Class B shares held as ADSs) pursuant to the squeeze-out right under Article 15 of the Luxembourg takeover law on the same terms and conditions of the offer. Following consummation of the offer and the exercise of the squeeze-out right, AmBev intends to cause Quinsa to apply to delist all ADSs from New York Stock Exchange (including the remaining non-tendered ADSs) and all Class A shares and Class B shares from the Luxembourg Stock Exchange (including the remaining non-tendered Class A shares and Class B shares), to terminate Quinsa's ADS facility and the registration of the Class B shares under the Securities Exchange Act of 1934.

- On 1 February 2007, InBev announced that Labatt Brewing Company Limited (Labatt) had entered into a Support Agreement with Lakeport Brewing Income Fund ('Lakeport') to acquire all of the outstanding units of Lakeport at the purchase price of 28.00 Canadian dollar (18.30 euro) per unit in cash for an aggregate purchase price of just over 201.4m Canadian dollar (131m euro).

Under the Agreement, the Board of Trustees of Lakeport unanimously recommends that unit holders accept the Offer, which represents a premium of 36% based on the 20.57 Canadian dollar closing price for the Lakeport units on the Toronto Stock Exchange on 31 January 2007.

Completion of the Offer is subject to certain customary conditions, among other things, there being validly deposited under the Offer and not withdrawn that number of units that constitutes at least 66 2/3 % of the issued and outstanding units of Lakeport (calculated on a fully diluted basis). If a sufficient number of units to meet the minimum tender condition are tendered to the Offer, Labatt has agreed to pursue lawful means of acquiring the remaining units, including, without limitation, through a subsequent acquisition transaction. The parties will make a pre-merger filing under the Competition Act as is customary for transactions of this size. The parties will endeavor to close the transaction at the earliest possible date, while allowing the Competition Bureau time to review the transaction in the ordinary course.

- On 1 February 2007, InBev announced a share buy-back program of InBev shares for an amount of up to 300m euro. This new share buy-back program will run until the end of October 2007, and may be renewed thereafter.
- On 5 February 2007, AmBev announced a share buy-back program of AmBev shares for an amount of up to 1 billion reais, which will run until 31 January 2008.

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 313.

List of most important fully consolidated companies

Name And Registered Office	% of shareholding (economic interest)
Argentina	
CERVECERIA Y MALTERIA QUILMES SAICA Y G - Av. Del Libertador 498, 26th floor - Buenos Aires	53.42
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	98.52
BROUWERIJ VAN HOEGAARDEN N.V. - Stoopkensstraat 46 - 3320 - Hoegaarden	99.98
COBREW N.V. - Brouwerijplein 1 - 3000 - Leuven	99.99
IMMOBREW N.V. - Industrielaan 21 - 1070 - Brussel	99.87
INBEV BELGIUM N.V. - Industrielaan 21 - 1070 - Brussel	99.96
Bolivia	
CERVECERIA BOLIVIANA NACIONAL S.A. - Av. Montes 400 and Chuquisaca Street - La Paz	45.72
Brazil	
CIA DE BEBIDAS DAS AMERICAS - AMBEV BRASIL - Rua Dr. Renato Paes de Barros, 1017, 4º Andar (parte), cj. 44 e 42 - Itaim Bibi, São Paulo	58.36
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	58.36
Chile	
CERVECERIA CHILE S.A. - Av. Presidente Eduardo Frei Montalva 9600 - Quilicura	53.58
China	
INBEV SEDRIN BREWERY CO LTD - No. 660, Gongye Road - Hanjiang, Putian City	100.00
INBEV JINLONGQUAN (XIAOGAN) BREWERY CO LTD - No. 198 Chengzhan Street - Xiaogan	59.99
INBEV (ZHOUZHAN) 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
INBEV DOUBLE DEER BREWING GROUP CO LTD - 234 Wu Tian Street - Wenzhou	54.99
INBEV JINLING (NANJING) BREWERY CO. LTD - 408 Long Pan Zhong Lu, - Nanjing	80.00
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 DOMINICANA CXA - Av. San Martin, 279 - Apartado Postal 723 - Santo Domingo	38.40
Ecuador	
COMPANIA CERVECERIA AMBEV ECUADOR - Km 14.5 - Via Daule, Av. Las Iguanas - Guayaquil	46.69
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	99.98
BRAUEREI DIEBELS GMBH & CO.KG - Brauerei-Diebels-Strasse 1 - 47661 - Issum	99.98
BRAUERGILDE HANNOVER AG - Hildesheimer Strasse 132 - 30173 - Hannover	99.98
HASSERÖDER BRAUEREI GmbH - Auerhahnring 1 - 38855 - Wernigerode	99.98
INBEV GERMANY HOLDING GmbH & Co. KG- Am Deich 18/19 - 28199 - Bremen	100.00
HAACKE-BECK BRAUEREI GmbH & Co. KG - Am Deich 18/19 - 28199 - Bremen	99.92
SPATEN - FRANZISKANER - BRÄU GmbH - Marsstrasse 46 + 48 - 80335 - München	99.98

Grand Duchy Of Luxemburg

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

INDUSTRIAS DEL ATLANTICO - 43 Calle 1-10 CLzd.aguilar Batres Zona 12, Edificio Mariposa, nivel 4 - 01012 - Zacapa	29.18
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Hungary

BORSODI SORGYAR Rt. - Rackoczi Ut 81 - 3574 - Böcs	98.62
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Montenegro

INDUSTRIJA PIVA I SOKOVA 'TREBJESA' A.D. - Njegoseva 18 - 81400 - Niksic	72.69
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Paraguay

CERVECERIA PARAGUAY S.A. - Ruta Villeta KM 30 - Ypané	46.69
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Peru

COMPANIA CERVECERA AMBEV PERU SAC - Av. Republica De Panama, 3659 San Isidro - Lima 41 - Lima	40.85
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Romania

INTERBREW EFES BREWERY - 287, Gh. Gr. Cantacuzin o str., - 100291 - Ploiesti	100.00
INTERBREW ROMANIA SA - Str. Siriului nr. 20, et. 4-5, 014354 - Sector 1 - Bucharest	99.91

Russia

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

APATINSKA PIVARA APATIN - Trg Oslobođenja 5 - CS-25260 - Apatin	98.99
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South Korea

ORIENTAL BREWERY CO. LTD - Hanwon Bldg, #1449-12, Seocho Dong Seocho-Ku - 137-866 - Seoul	100.00
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The Netherlands

INTERBREW INTERNATIONAL B.V. - Ceresstraat 1 - 4811 CA - Breda	100.00
INBEV 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
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Ukraine

CJSC CHERNIHIV BEER ENTERPRISE 'DESNIA' - 20 Instrumentalnaya Street - 14037 - Chernigiv	99.77
JSC 'MYKOLAIV' BREWERY 'YANTAR' - 320 Yantarna Street - 54050 - Mykolaiv	99.77
OJSC BREWERY ROGAN - 161 Roganskaya str. - 61172 - Kharkiv	99.77

United Kingdom

BASS BEERS WORLDWIDE LIMITED - Porter Tun House, 500 Capability Green - LU1 3LS - Luton	99.98
INBEV UK - Porter Tun House, 500 Capability Green - LU1 3LS - Luton	99.98
INTERBREW UK LTD - Porter Tun House, 500 Capability Green - LU1 3LS - Luton	99.98

Uruguay

CERVECERIA Y MALTERIA PAYSSANDU S.A. - Rambla Baltasar Brum, 2933 - 11800 - Payssandu	57.37
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Venezuela

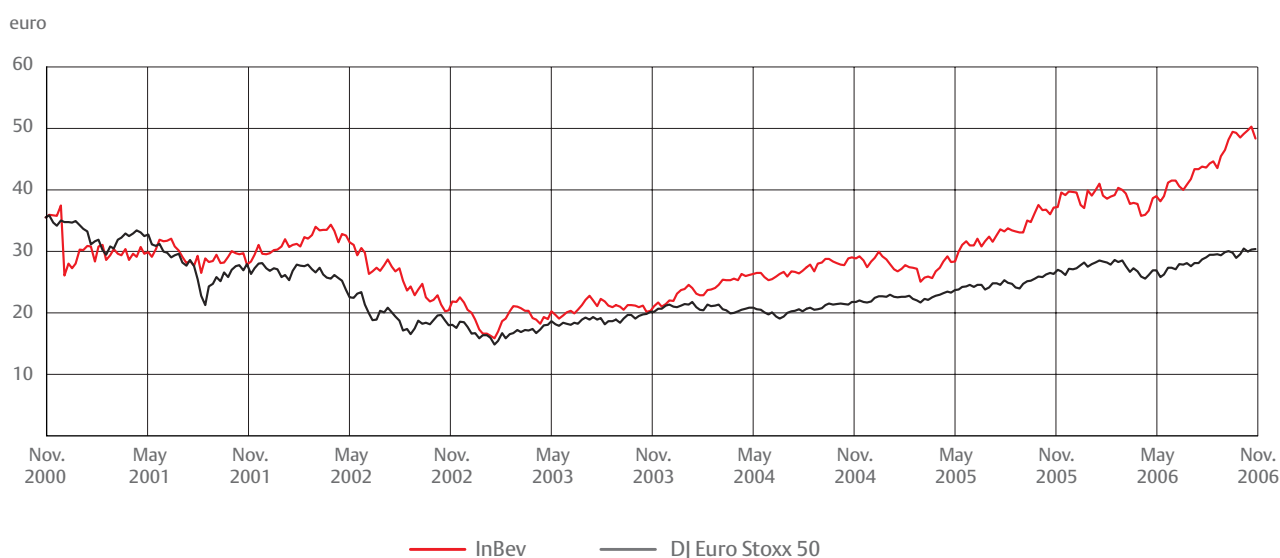
C. A. CERVECERIA NACIONAL - Av. Principal Boleita Norte, Edif. Draza, Piso 2 - Caracas	29.28
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Information to our shareholders

Earnings, dividends, share and share price

Euro per share unless stated otherwise	2006	2005	2004	2003	2002
Cash flow from operating activities	5.41	4.01	2.40	2.66	2.42
Normalized earnings per share before goodwill	2.50	1.71	1.69	1.45	1.51
Dividend	0.72	0.48	0.39	0.36	0.33
Share price high	49.9	37.5	29.1	23.2	34.5
Share price low	35.0	24.6	20.3	15.0	19.1
Year-end share price	49.9	36.8	28.5	21.2	22.5
Weighted average number of ordinary shares (million shares)	608	600	480	432	431
Diluted weighted average number of ordinary shares (million shares)	613	603	483	434	435
Volume of shares traded (million shares)	220	213	147	124	113

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	52.44 %
Number of subscription rights	-	-
	321 712 000	51.85 %
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	0.73 %
Number of subscription rights	-	-
	4 494 000	0.72 %
Eugénie Patri Sébastien (EPS) SA under Luxembourg law, affiliated to Stichting Interbrew that it jointly controls with BRC SA under Luxembourg law		
Number of shares	61 400 030	10.01 %
Number of subscription rights	-	-
	61 400 030	9.89 %
Rayvax Société d'investissements SA under Belgian law		
Number of shares	19 216 000	3.13 %
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	66.91 %
Number of subscription rights	-	-
Total	410 495 820	66.17 %

Shareholders' arrangements

In connection with the combination of InBev with AmBev, BRC, EPS (a company which groups a large share of the interests of the Belgian families who founded InBev), Rayvax Société d'Investissements (a company holding some of the interests in InBev of one of the InBev founding families), and the Stichting InBev entered on 2 March 2004 into a Shareholders' Agreement (the 'InBev Shareholders' Agreement'). The InBev Shareholders' Agreement provides for BRC and EPS to hold their interests in InBev through the Stichting InBev (except for approximately 93 million 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).

Pursuant to the terms of the InBev 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,

¹ Based on the number of shares, resp. subscription rights outstanding on 31 December 2006 (613 441 281, resp. 6 917 014).

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 InBev 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 InBev 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 InBev Shareholders' Agreement requires EPS and its permitted transferees under the InBev 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 InBev Shareholders' Agreement, EPS and BRC agree not to acquire any shares of capital stock of AmBev, subject to limited exceptions.

The InBev 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 2006 in relation to services provided by KPMG amounted to 4 827 249 euro (2005: 5 644 500 euro), which was composed of audit services for the annual financial statements of 4 131 809 euro (2005: 4 048 821 euro), audit related services of 338 028 euro (2005: 649 058 euro), tax services of 345 322 euro (2005: 689 675 euro) and other services of 12 090 euro (2005: 256 946 euro).

Financial calendar

Publication of 2006 results	1 March 2007
Annual report 2006 available on www.InBev.com	1 March 2007
General shareholders meeting	24 April 2007
Dividend payable	25 April 2007
Publication of first quarter results	10 May 2007
Publication of half year results	30 August 2007
Publication of third quarter results	8 November 2007
Publication of 2007 results	28 February 2008

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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 2006.

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 2006 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	2006	2005
Assets		
Non-current assets		
Intangible assets	35	23
Property, plant and equipment	59	25
Financial assets	8 532	8 455
	8 626	8 503
Current assets	1 788	1 883
Total assets	10 414	10 386
Equity and liabilities		
Equity		
Issued capital	473	470
Share premium	7 412	7 334
Legal reserve	47	47
Reserves not available for distribution	39	60
Reserves available for distribution	226	205
Profit carried forward	589	539
	8 786	8 655
Provisions and deferred taxes	56	44
Non-current liabilities	749	1 064
Current liabilities	823	623
Total equity and liabilities	10 414	10 386

Abbreviated non-consolidated income statement

Million euro	2006	2005
Operating income	265	230
Operating expenses	(349)	(365)
Operating result	(84)	(135)
Financial result	569	470
Extraordinary result	6	64
Result for the year available for appropriation	491	399

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 and amortization.

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 and amortization.

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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Corporate Governance

Fostering ethical conduct

The Board encourages management to promote and maintain an ethical culture. This fosters responsible business conduct by all employees.

InBev's Code of Business Conduct sets out the ethical standards to which all employees are expected to adhere. It requires employees to comply with all laws, to disclose any relevant conflicts of interests, to act at all times in the best interests of the group and to conduct all their dealings in an honest and ethical manner. The Code also covers the confidentiality of information, limits on the acceptance of gifts or entertainment, and the appropriate use of InBev property.

In line with this commitment to integrity, InBev has implemented in 2006 a whistle-blowing scheme that provides employees with simple and secure ways to confidentially, and if so desired, also anonymously, report activities in violation of the Code of Conduct within the framework of a clear whistle-blowing policy and applicable legislation.

Demonstrating InBev's commitment to shareholder communication

InBev is committed to creating value for its shareholders. InBev encourages its shareholders to take an active interest in the company. In support of this objective, InBev provides quality information, in a timely fashion, through a variety of communication tools. These include Annual Reports, the Global Citizenship Report, financial results announcements, briefings, and a section on www.InBev.com which is dedicated to investors.

InBev recognizes that high-quality disclosure builds trust and confidence with shareholders and the public in general. In 2005, InBev adopted a Disclosure Manual to demonstrate its commitment to best practices in transparency. This manual is designed to ensure that there is full, consistent and timely disclosure of company activities.

Upholding shareholder rights

Prior to the annual shareholders' meeting, shareholders are invited to submit any questions they have for the Chairman or the CEO for discussion during the meeting.

The agenda for the shareholders' meeting and all related documents are also posted on the InBev website at least 24 days in advance of any shareholders' meeting. Shareholders have the right to vote on various resolutions related to company matters. If they are unable to attend a meeting, they can submit their votes by mail or appoint a proxy. Minutes of the meetings and results of the votes are posted on www.InBev.com immediately after the meeting.

Preventing the abuse of inside information

InBev's Code of Dealing is applicable to all employees and Directors of the group. The Code aims to prevent the abuse of inside information, especially leading up to an announcement of financial results; or leading up to price-sensitive events or decisions.

The Code prohibits dealing in any shares during a closed period, i.e., a period of 15 days preceding any results announcement of the company. In addition, before dealing in any shares of the company, Directors and Executives must obtain clearance from a Clearance Committee and report back to the Committee once the transaction has taken place.

Compliance with the Code is reinforced and monitored through the InBev Compliance Program.

In accordance with the new Belgian regulation on the prevention of market abuse, InBev establishes lists of insiders. In addition, members of the Executive Board of Management and of the Board of Directors notify all their trades to the Banking, Finance & Insurance Commission, which publishes these notifications on its website.

1. The Belgian Corporate Governance Code

As a company incorporated under Belgian law and listed on the Eurolist by Euronext Brussels, InBev adheres to the principles and provisions of the Belgian Corporate Governance Code, published in December 2004.

The majority of the Code is reflected in InBev's Corporate Governance rules. The complete set of these Corporate Governance rules is posted on www.InBev.com/investors under the Corporate Governance Statement. The rules are regularly updated.

In order to reflect InBev's specific shareholding structure and the global nature of its operations, the Board of Directors has adopted the following rules:

Principle 5.3./1 (Appendix D) of the Belgian Code: “the Board should set up a nomination committee composed of a majority of independent non-executive Directors”: The Board of Directors appoints the chairman and members of the Compensation and Nominating Committee from among the Directors, including at least one member from among the independent Directors. As the Committee is composed exclusively of non-executive Directors who are independent of management and free from any business relationship which could materially interfere with the exercise of their independent judgment, the Board considers that the composition of this Committee achieves the Code's aim of avoiding potential conflicts of interest.

Principle 7.4. of the Belgian Code: “Non-executive Directors should not be entitled to performance-related remuneration such as bonuses, stock-related, long-term incentive schemes, fringe benefits or pension benefits”: The remuneration of the Board members is composed of a fixed fee and a limited, pre-determined number of options, which ensures the independence of the Board members as well as aligning the Directors' interests with those of the shareholders. The Board of Directors considers it very unlikely that the granting of options could affect their judgement as Board members. As a consequence, the Board considers InBev's principles of remuneration compatible with the recommendations of the Belgian Code on Corporate Governance.

Finally, it should be noted that options may only be granted upon the recommendation of the Compensation and Nominating Committee. Any such recommendation must be subsequently approved by the Board and the shareholders in a general meeting.

Principle 8.9. of the Belgian Code: “The level of shareholding for the submission of proposals by a shareholder to the general shareholders' meeting should not exceed 5 % of the share capital”: As provided for by the Belgian Companies Code, shareholders representing one-fifth of InBev's capital may ask the Board to convene a shareholders' meeting and table resolutions. The Board believes that InBev's Corporate Governance framework ensures equitable treatment of all shareholders, including minority shareholders. InBev encourages participation at shareholders' meetings and promotes proxy voting and voting by mail. Time is always allocated for questions during the shareholders' meetings and shareholders are invited to send the company written questions in advance of the meeting. In addition, InBev is committed to maintaining a strong line of communication with its shareholders at all times. It is especially respectful of the rights of its minority shareholders. The Board does not believe that lowering the shareholder requirement to table resolutions at a shareholders' meeting, would substantially contribute to achieving this aim.

2. The Board of Directors

Structure

The InBev Board of Directors currently consists of twelve members, all of whom are non-executives. The roles and responsibilities of the Board, its composition, structure and organization are described in detail in InBev's Corporate Governance Statement. This Statement includes the criteria for independence, which applies to independent Directors.

At the annual meeting held on 25 April 2006, the shareholders acknowledged the end of the mandate as director of Mr. Pierre Jean Everaert, Chairman of the Board. The title of Honorary Chairman was granted to Mr. Pierre Jean Everaert. Mr. Peter Harf, independent director of InBev since 2002, was appointed the new Chairman of the Board.

At the same meeting, the shareholders also acknowledged the resignation as director of Mr. Remmert Laan. As a consequence, the number of directors was reduced to twelve directors.

Directors			Term started	Term expires
Allan Chapin	°1941, American	Non-Executive Director, nominated by the holders of class A Stichting InBev certificates	1994	2008
Carlos Alberto da Veiga Sicupira	°1948, Brazilian	Non-Executive Director, nominated by the holders of class B Stichting InBev certificates	2004	2007 ¹
Jean-Luc Dehaene	°1940, Belgian	Non-Executive Independent Director	2001	2007 ¹
Arnoud de Pret Roose de Calesberg	°1944, Belgian	Non-Executive Director, nominated by the holders of class A Stichting InBev certificates	1990	2008
Philippe de Spoelberch	°1941, Belgian	Non-Executive Director, nominated by the holders of class A Stichting InBev certificates	1977	2007 ²
Peter Harf	°1946, German	Non-Executive Independent Director, Chairman of the Board	2002	2008
Jorge Paulo Lemann	°1939, Brazilian	Non-Executive Director, nominated by the holders of class B Stichting InBev certificates	2004	2007 ¹
Roberto Moses Thompson Motta	°1957, Brazilian	Non-Executive Director, nominated by the holders of class B Stichting InBev certificates	2004	2007 ¹
Kees J. Storm	°1942, Dutch	Non-Executive Independent Director	2002	2008
Marcel Herrmann Telles	°1950, Brazilian	Non-Executive Director, nominated by the holders of class B Stichting InBev certificates	2004	2007 ¹
Alexandre Van Damme	°1962, Belgian	Non-Executive Director, nominated by the holders of class A Stichting InBev certificates	1992	2007 ¹
Mark Winkelman	°1946, Dutch	Non-Executive Independent Director	2004	2007 ¹

¹ Mandate renewable on 24 April 2007

² Mandate expires on 24 April 2007

	Audit Committee	Compensation and Nominating Committee	Finance Committee	Convergence Committee
Allan Chapin			Member	
Carlos Alberto da Veiga Sicupira		Member		
Jean-Luc Dehaene	Member			
Arnoud de Pret Roose de Calesberg	Member		Chairman	
Philippe de Spoelberch		Member		
Peter Harf	Member	Member		Member
Jorge Paulo Lemann			Member	
Roberto Moses Thompson Motta			Member	
Kees J. Storm	Chairman			
Marcel Herrmann Telles		Chairman		Chairman
Alexandre Van Damme		Member		
Mark Winkelman			Member	
Carlos Brito (CEO)				Member

Functioning

In 2006, the Board held eleven ordinary and five special meetings. Several of these meetings, by design, were held in the Zones in which InBev has operations. On these occasions, the Board was provided with a comprehensive briefing of the Zone or relevant market. These briefings included an overview of performance, key challenges facing the market, and the steps being taken to address the challenges. Several of these visits also provided the Board with the opportunity to meet with employees and customers.

Major Board agenda items in 2006 included the long-range plan; achievement of targets; sales figures and brand health; reporting and budget; consolidated results; strategic direction; culture and people, including succession planning; new and ongoing investment; as well as discussions and analysis of acquisitions and governance.

The average attendance rate at Board meetings in 2006 was 91 % for ordinary meetings and 88 % for special meetings. The Board is assisted by four Committees: the Audit Committee, the Finance Committee, the Convergence Committee and the Compensation and Nominating Committee.

In 2006, the Audit Committee met 9 times. During its meetings, the Committee reviewed the financial statements of InBev, the annual, half yearly as well as quarterly statements. The Committee also considered significant issues arising from internal audits conducted by the group's Internal Audit department and the implementation of InBev's Compliance Program. InBev's subsidiaries' obligations under Sarbanes Oxley and material litigation and results announcements were some of the other important topics on the agenda of the Committee. The average attendance rate at the Committee meetings was 73 %.

The Finance Committee met 5 times in 2006. Committee discussions included the budget, the debt profile and capital structure of the group, the tax planning and the disclosure policy of InBev. The average attendance rate at the Committee meetings was 93 %.

The Compensation and Nominating Committee met 6 times in 2006 and, in accordance with its charter, the Committee discussed target setting, management bonuses, contracts with the members of the Executive Board of Management, the rules of the new compensation system for Directors, the rules for internal promotion to senior executive functions and succession planning for key executive functions. The average attendance rate at the Committee meetings was 94 %.

Finally, the Convergence Committee met 6 times in 2006. This Committee was created at the announcement of the combination with AmBev in March 2004. The Committee reviews the progress on implementation of InBev's key operational initiatives. The Committee is currently composed of Marcel Herrmann Telles, Peter Harf, Carlos Brito and Stéfán Descheemaeker.

Certain transactions and other contractual relationships

There are no transactions or other contractual relationships to report between the company and its Board members that gave rise to conflicting interests as defined in the Belgian Company Code.

The company is prohibited from making loans to Directors, whether for the purpose of exercising options or for any other purpose.

3. Chief Executive Officer and Executive Board of Management

The Chief Executive Officer (CEO) is entrusted by the Board with responsibility for the day-to-day management of InBev. The CEO has direct operational responsibility for the entire company. The CEO leads an Executive Board of Management which comprises six global functional heads and five Zone presidents including the two Co-Chief Executive Officers of AmBev, who report to the Board of Directors of AmBev.

Effective as of January 2006, Juan Vergara was appointed in the newly created function of Chief Buying Officer focusing on the redeployment of resources through centrally coordinated purchasing.

At the beginning of 2006, Stewart Gilliland, Zone President for Western Europe, left the company and was replaced by Stéfán Descheemaeker. Alain Beyens was appointed as the new Zone President for Central & Eastern Europe, succeeding Stéfán Descheemaeker.

During 2006, Brent Willis, Zone President Asia Pacific, left the company and was replaced by Dirk Moens, effective May 15, 2006.

In addition, Peter Vrijnsen decided to step down as Chief People Officer, as of 22 September. He was replaced by Claudio Garcia, who was appointed Chief People and Technology Officer.

Following the increase of AmBev's equity interest in Quilmes Industrial S.A., InBev has created a sixth Zone, known as Latin America South. João Castro Neves was appointed as new Latin America South Zone President, effective January 1, 2007 and, in this capacity, has become a member of InBev's Executive Board of Management.

Finally André Weckx, Chief Technical Officer, decided to retire with effect from 31 December, 2006. Effective January 1, 2007, he was replaced by Claudio Braz Ferro, who was VP Supply in Latin America for the past 10 years. In his new function, Claudio Braz Ferro will also take over the responsibility for procurement from Juan Vergara, whose assignment with InBev came to an end on 18 December, 2006.

4. Remuneration Report 2006¹

Board Remuneration

During the year 2006, Board members earned a fixed annual fee of 67 000 euro, based on attendance at ten Board meetings. The fee was supplemented with an amount of 1 500 euro for each additional Board meeting or Committee meeting. The Chairman's fee was double that of other Directors. The Chairman of the Audit Committee was granted a fee which is 30% higher than the fee of the other Directors.

InBev does not provide pensions, medical benefits or other benefit programs to Directors.

	Number of Board meetings attended	Annual fee for Board meetings (basis of 10 meetings)	Fees for extra Board meetings	Fees for Committee meetings	Total fee	Number of share options granted in 2006 ²
Allan Chapin	15	67 000	7 500	7 500	82 000	8 269
Carlos Alberto da Veiga Sicupira	13	67 000	4 500	7 500	79 000	8 269
Jean-Luc Dehaene	13	67 000	4 500	7 500	79 000	8 269
Arnoud de Pret Roose de Calesberg	14	67 000	6 000	24 000	97 000	8 269
Philippe de Spoelberch	14	67 000	6 000	9 000	82 000	8 269
Peter Harf	16	111 667	15 000	25 500	152 167	8 269
Jorge Paulo Lemann	14	67 000	6 000	6 000	79 000	8 269
Roberto Moses Thompson Motta	12	67 000	3 000	7 500	77 500	8 269
Kees J. Storm	14	80 400	6 000	27 000	113 400	8 269
Marcel Herrmann Telles	16	67 000	9 000	27 000	103 000	8 269
Alexandre Van Damme	15	67 000	7 500	7 500	82 000	8 269
Mark Winkelman	16	67 000	9 000	12 000	88 000	8 269
All Directors as a group					1 114 067	99 228

The following table sets forth information regarding the number of share options granted to the Board as a group during the past three years.³

N° of subscription rights offered	Issuance date	Offer date	Exercise price in euro
143 208	27 April 04	2004	23.02
140 459	26 April 05	2005	27.08
124 035	25 April 06	2006	38.70

¹ All remuneration figures in this report are gross figures. Figures are based on membership on December 31, 2006.

² Share options were granted under the long-term incentive plan. Options have an exercise price of 38.70 euro per share, have a term of 10 years and vest over a 3 year period.

³ Based on membership on the offer date.

Executive Remuneration in 2006¹

InBev's Executive remuneration policy, applicable since 2005, has been designed to help drive the high-performance culture needed to take InBev from 'Biggest to Best'. The goal is to deliver market-leading compensation, driven by both company and individual performance, and ensure alignment with shareholders' interests by encouraging Executive ownership of company shares. Focus is on annual and long-term variable pay, rather than on base salary.

The full Executive remuneration policy of InBev is disclosed in its Corporate Governance Statement which is available on the InBev website, www.InBev.com/investors.

Base salary

In 2006, the CEO earned a fixed salary of 0.7 million euro, while the other members of the Executive Board of Management earned an aggregate base salary of 3.9 million euro.

Annual incentive

For 2006, the CEO earned a bonus of 3.2 million euro, while the other members of the Executive Board of Management earned an aggregate bonus of approximately 9 million euro. The bonus was based on the company performance in 2006 compared to the EBITDA growth targets set for the years 2005-2007 and the performance of the Executives compared to their individual targets. The bonus will be payable in or around April 2007.

In accordance with the new Executive remuneration policy of InBev, half of the bonus is settled in InBev shares to be held for three years, the shares being valued at their market price at the time of settlement. With respect to the other half of their bonus, Executives may elect to receive cash or to invest all or half of the remaining part of their bonus in shares to be held for 5 years. Such voluntary deferral leads to a free grant of matching options.

The following table sets forth information regarding the number of shares and matching options granted in 2006 (bonus 2005) to the CEO and the members of the Executive Board of Management. The options become exercisable after five years, subject to financial performance conditions to be met at the end of the third, fourth or fifth year following the granting.

	Shares acquired in 2006	Matching options granted in 2006	Offer date	Exercise price in euro
Carlos Brito – CEO	9 211	29 223	26 April 2006	39.64
Alain Beyens	2 270	5 759	26 April 2006	39.64
Steve Cahillane	6 603	25 634	26 April 2006	39.64
Sabine Chalmers	9 423	12 193	26 April 2006	39.64
Claudio Garcia	14 542	46 135	26 April 2006	39.64
Stéfan Descheemaeker	13 533	34 329	26 April 2006	39.64
Felipe Dutra	23 343	74 056	26 April 2006	39.64
Dirk Moens	4 906	24 890	26 April 2006	39.64
Jo Van Biesbroeck	11 692	29 658	26 April 2006	39.64
Juan Vergara	2 760	8 756	26 April 2006	39.64
André Weckx	6 796	0	-	-

¹ This report does not include figures and details for Miguel Patricio and Luiz Fernando Edmond, Co-CEO of AmBev and reporting to the Board of Directors of AmBev. Information on remuneration and additional benefits, such as share ownership plans, profit sharing plans and pension plans, for these Executives in 2006 is disclosed by Companhia de Bebidas das Américas - AmBev.

Exchange of share-ownership program

The combination with AmBev provides a unique opportunity to share AmBev's best practices within the InBev group and therefore necessitates from time to time the transfer of certain members of AmBev's senior management to InBev. In order to encourage management mobility and ensure that the interests of these managers are fully aligned with InBev's interest, the Board approved a program that aims at facilitating the exchange by these managers of their AmBev shares into InBev shares. Under the program, the AmBev shares can be exchanged into InBev shares based on the average share price of both the AmBev and the InBev shares on the date the exchange is requested. A discount of 16.66 % is granted in exchange for a 5 year lock-up period for the shares and provided that the manager remains in service during this period.

Under the program, members of the Executive Board of Management exchanged AmBev shares for 1 393 292 InBev shares.

Other compensation

We also provide Executives with life and medical insurance and perquisites and other benefits that are competitive with market practices.

In addition, the CEO also enjoys the usual expatriate perquisites such as a housing allowance in accordance with local market practice.

Post-employment benefits

Executives also participate in InBev's pension plans in either Belgium or their home country. InBev operates a number of defined benefit and defined contribution plans in line with market practices.

Carlos Brito participates in a defined contribution plan. The annual contribution that is paid to his plan amounts to approximately 36 000 euro.

Employment agreements and termination arrangements

InBev appointed Carlos Brito to serve as the Chief Executive Officer starting as of March 1, 2006. Carlos Brito earns an annual base salary of 850 000 euro. As of 2006, he also participates in the regular Executive compensation programs of InBev. In the event of termination of his employment other than on the grounds of serious cause, Carlos Brito is entitled to a termination indemnity of 12 months of remuneration and, provided he is eligible for it, a pro-rated performance bonus for the year of termination.

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